97TH CONGRESS
2d Session

SENATE

EXECUTIVE RPT.
No. 97-62

NOMINATION OF JAY F. MORRIS

SEPTEMBER 29 (legislative day, SEPTEMBER 8), 1982.—Ordered to be printed

Mr. PERCY, from the Committee on Foreign Relations,
submitted the following

REPORT

together with

ADDITIONAL VIEWS

The Committee on Foreign Relations to which was referred the nomination of Jay Morris to be Deputy Administrator of the Agency for International Development, having considered the same, reports favorably thereon and recommends that the nomination be confirmed.

COMMITTEE ACTION

The nomination of Jay Morris to be Deputy Director of the Agency for International Development was submitted to the Senate by President Reagan on August 24, 1982, and referred to the Committee on August 25. Mr. Morris testified before the Committee on September 20, 1982, and subsequently answered a number of written questions for the record.

At its meeting on September 28, 1982, the Committee agreed by voice vote to report the nomination favorably to the Senate, with Senator Biden recorded as voting present.

COMMITTEE COMMENTS

The Deputy Director of the Agency for International Development is the second ranking officer in the Agency. He assists the Administrator in all aspects of his responsibilities and acts as Administrator in the latter's absence. The Administrator, in turn, plans, directs, and coordinates the operations of the Agency and is responsible for the formulation and execution of U.S. foreign economic assistance policies and programs. The AID Administrator supervises and directs the activities of all personnel of the Agency in

S384-15

the United States and overseas. In addition, the Administrator serves as the President's Special Coordinator for International Disaster Assistance.

The position of Deputy Director has recently been held by senior career AID officers. Some Senators expressed concern that Mr. Morris did not have an extensive background in development or overseas experience. However, the Committee notes that Mr. Morris did work at the graduate school level on international affairs, and was a foreign affairs advisor to a Senator during his four years of work in the Senate.

Mr. Morris has also worked in AID for a year and a half in the position of Assistant Administrator for External Relations. In that job he became particularly familiar with the perceptions of the AID program in the Congress and at the grass roots level. He was actively involved in implementing the Biden-Pell program, which aims at increasing the knowledge and interest of the general public in development issues. During that time he has also been involved in the formulation of a number of AID policy papers, and was consulted by the Administrator on most major policy issues dealt with by the Administrator during that time. He also coordinated AID's role in preparing for the President's participation in the North-South Summit held in Cancun, Mexico in October of 1981. The Committee concludes that Mr. Morris' educational background, government experience, and work at the Agency provide an adequate background for the position of Deputy Administrator.

During the business meeting of the Committee on September 28, Senator Glenn expressed concern over information he had that AID's Administrator might be in the process of establishing a number of advisory committees to AID for which members would be selected on a partisan basis. Senator Glenn indicated that he would not be in a position to vote on Mr. Morris' nomination until this issue was clarified. Other Senators, including Senators Percy, Kassebaum, Pell, and Biden also indicated that any such advisory groups should be of a bipartisan nature. At the request of the Chairman, a telephone call was placed to the Administrator of AID, who stated that such committees would be bipartisan in nature and would receive no renumeration from the government of honorarium or expenses. The Administrator subsequently sent the Chairman the following letter affirming his telephone conversation.

AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., September 28, 1982.

Hon. CHARLES H. PERCY,
Chairman, Foreign Relations Committee,
Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: I would like to confirm representations made by my staff this morning durng the Committee's discussion of the nomination of Mr. Jay Morris to be Deputy Administrator of AID.

The Advisory Committees to be appointed were advertised in the Federal Register; will be bipartisan in nature, and Republicans and Democrats will both be appointed.

Members will donate their time and expenses. They will not receive reimbursement for their services, including travel or per diem.

As you know, we have consulted with the Committee concerning these Advisory Committees and will continue to do so.

Sincerely,

M. PETER MCPHERSON,
Administistor.

Senator Pell had previously written to the Administrator on the same subject, and also received a reply from the Administrator after the September 28 business meeting. That correspondence is included below.

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C., September 24, 1982.

Hon. PETER MCPHERSON,
Administrator, Agency for International Development,
Department of State, Washington, D.C.

DEAR MR. MCPHERSON: I understand that AID has under consideration a proposal to establish five private sector advisory committees for AID's regional bureaus.

I fully support this idea, and I assume that the Committee will be consulted concerning the objectives and functions of the advisory committees if you decide to establish them. I also hope that the members will be selected on a bipartisan basis with a broad range of philosophical viewpoints being represented.

With every good wish.

Ever sincerely,

CLAIBORNE PELL.

AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., September 28, 1982.

Hon. CLAIBORNE PELL,
Committee on Foreign Relations,
Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR PELL: Thank you for your letter of September 24 regarding the Advisory Committees.

I would like to confirm representations made by my staff this morning during the Committee's discussion of the nomination of Mr. Jay Morris to be Deputy Administrator of AID.

The Advisory Committees to be appointed were advertised in the Federal Register; will be bipartisan in nature, and Republicans and Democrats will both be appointed.

Members will donate their time and expenses. They will not receive reimbursement for their services, including travel or per diem.

As you know, we have consulted with the Committee concerning these Advisory Committees and will continue to do so.

Sincerely,

M. PETER MCPHERSON,
Administrator.

The Committee appreciates the commitments made in the above letters, and wishes to reaffirm its strong conviction that the U.S. foreign assistance program must maintain its bipartisan nature.

Based on his qualifications and his oral and written testimony, the Committee on Foreign Relations urges the Senate to approve the nomination of Jay Morris to be Deputy Administrator of the Agency for International Development.

ADDITIONAL VIEWS OF SENATOR JOSEPH R. BIDEN, JR.

The nomination of Jay Morris to be the Deputy Administrator for the Agency for International Development raises some troubling questions about the management of our foreign assistance program.

On Monday, September 20, 1982, the Foreign Relations Committee met to consider the Morris nomination. The hearing was attended by one Senator and exactly four questions were put to Mr. Morris during the course of his eleven minute confirmation hearing. Subsequently, several Committee members, including myself, submitted questions to be answered by Mr. Morris for the Record. Based on my examination of these questions and answers, three aspects of this nomination continue to trouble me.

First, there was the issue of Mr. Morris' qualifications. In his response to my question asking whether his previous experience qualified him to hold this post, Mr. Morris answered in the affirmative. Conceding that his "operating experience in developing countries is rather limited," Mr. Morris then asserted that "since the Agency is comprised of over 5,000 career specialists ranging from nutritionists to botanists, I do not believe that field experience is crucial to the broad managerial and administrative policy questions which I must handle as Deputy Administrator." I disagree. Field experience is precisely the kind of prerequisite we ought to look for in the Deputy Administrator of the Agency for International Development. It is the kind of experience that was possessed by almost every single previous Deputy Administrator including Mr. Joseph Wheeler, Mr. Morris' immediate predecessor in that post. A sensitivity to the day to day problems faced in the field by specialists and country directors is, in my view, a primary qualification, without which, one ought not serve at the Agency's number two post. The administration of our foreign assistance program is not only a managerial task, but also a sensitive foreign policy responsibility. Mr. Morris' admitted lack of field experience, and his cursory dismissal of the need for such experience continue to bother this Senator.

Furthermore, Mr. Morris noted in his response to me that, out of 5,502 AID employees, only 12 are political appointees and that the President ought to be entitled to his choices for these limited slots. In general, I agree. Certainly, however, the men and women who are nominated for these twelve slots ought to have some background in development, and some feel for AID's efforts overseas. Mr. Morris has neither in sufficient quantity to warrant his approval as AID's Deputy Administrator, charged with the day to day management of some of our most sensitive economic assistance efforts in the Middle East, Central America and the Caribbean, and in Southern Africa.

Second, there was the issue of the choice of a non-careerist to fill this position. Over the past twenty five years, AID has attracted some of the best specialists in agriculture, nutrition, rural development, education and health who have made their talents and expertise available to the U.S. foreign assistance program.

A professional corps of developmentalists understandably took pride in its contributions to overall U.S. foreign policy objectives. The Deputy Administrator has traditionally come from these ranks. He has often been the senior careerist in the agency, such as Mr. Joseph C. Wheeler, who had years of field and Washington, D.C. experience with AID prior to his accession to the job, or they have come from the professional community with already established reputations such as previous Deputies John E. Murphy and Robert H. Nooter. Without exception, the men who have held this post have served with distinction. Mr. Morris indicated in his response to another question submitted by me that he did not believe his nomination would have a negative impact on "career officer morale" because, as he stated, "it does not preclude the filling of this or other Presidential posts in the future with career individuals." The point is not that career morale is solely dependent on one nomination, but rather that the appointment of a non-careerist to this post seems to epitomize a trend to fill Presidential appointments with individuals who lack the requisite credentials or experience whether it be at AID, the Peace Corps, or the State Department. In the final analysis I do not concur with the judgment that the Deputy Administrator of AID ought to be just another such appointment. It ought to be filled with a senior careerist who is skilled in running AID programs, who has lived and worked overseas and understands the difficulties and challenges that face the United States in the developing countries.

Third, and finally, I am troubled by the nature of the decision of the AID Administrator to abolish Mr. Morris' present post, the Assistant Administrator for External Relations, if and when Mr. Morris is confirmed. As Mr. Morris responded to my question on this matter "the Administrator plans to abolish the present position as a Presidential Appointment as soon as I am confirmed in the Office of Deputy Administrator and that Assistant Administratorship will be conferred upon the Office of Legislative Affairs . . ." In direct response to my query on the reasons why the AA for External Relations was created in the first place, Mr. Morris stated the following: ". . . upon our entrance into office we perceived a need for the development for a more coordinated plan of communications with all external individuals and groups interested in A.I.D.'s activities. We feel we have now largely addressed that need and any further coordination can be overseen by me in my capacity as Deputy Administrator." Mr. Morris' answer raises more questions than it resolves. Why was the post of AA for External Relations created in the first place? Why was the AA for Legislative Affairs downgraded and why now is it to be restored to its former status?

In November, 1981, the Senate Appropriations Subcommittee on Foreign Operations issued a report to accompany the foreign aid appropriations legislation which raised this very issue. The Committee found fault with the decision to abolish the Legislative Affairs AA in favor of the newly created AA for External Relations. The Committee Report is worth citing here:

> The new administration has reorganized a number of its bureaus. While the Committee has its suspicions about the worth of such reorganizations, it has no problem with what the administration has done save for one major exception.
>
> The exception is the administration's decision to downgrade the Office of Legislative Affairs by removing as its head a Presidentially appointed Assistant Administrator. Considering the difficulties AID has with Congress, as much or more than any agency of the entire Federal Government, it is inconceivable that this office would be downgraded.
>
> What the administration has done with the AA slot it took away from the Office of Legislative Affairs seems to make no more sense than did the downgrading of the Legislative Office. It has taken that slot and given it to the Bureau for External Affairs. The head of this Bureau has rather vague authorities over the Office of Legislative Affairs and the Office of Public Affairs. In reality that Assistant Administrator is acting more as an executive assistant to the Administrator, and in fact is located in the Administrator's office. At least this part of the administration's reorganization plan seems to have more to do with personality than with substance, and the Committee believes that a second look at this matter is warranted.

Reluctantly, I can only conclude that the AA for External Relations was created for the personal convenience of Mr. Morris. His accomplishments in that post are not clear from the record. What is clear is that AID sacrificed the Legislative Affairs function, as an AA slot, and is not willing to restore that slot if, and apparently only if, Mr. Morris is confirmed. I take strong exception to this practice of creating special posts for individuals who then seek the Senate's advice and consent. Ultimately it does not serve our foreign assistance program well.

Committee Questions

Question. What is the percentage of women and minorities currently among the AID professional staff—in the Foreign Service staff and in the GS ranks?

Answer. As of June 30, 1982, women made up approximately 45.1 percent and minorities 28.3 percent of the AID professional staff in the Civil Service ranks. Women in the professional ranks of the Foreign Service accounted for 14.0 percent and minorities represented 13.0 percent for the same reporting period.

Question. What steps is the AID Affirmative Action Program taking to increase the number of qualified women and minorities in the Agency, particularly in the Foreign Service?

Answer. One of the innovative staffing strategies which has been undertaken during the current operational fiscal year to increase the representation of minorities and women in the Agency's work-force is the development and approval of a targeted recruitment program for implementation in fiscal year 1983 designed to reach and attract female and minority job candidates for selected occupational categories and levels from those recruitment sources which have been identified as effective in producing qualified applicants from these groups.

Question. A former high A.I.D. official has recently recommended that in implementing the new directions mandate increased emphasis be placed on support for primary education. Do you agree with this recommendation? If you do, in what ways would you increase support for implementing primary education activities?

Answer. The importance of literacy for sustained economic and social development in developing countries cannot be overstated. There is strong evidence that progress in expanding basic schooling and increasing adult functional literacy contributes directly to progress in improving agricultural productivity, diffusing new technologies, reducing fertility and changing health behavior.

I am in firm agreement with the goal of A.I.D.'s education policy, which is to increase the availability of basic formal education and vocational/technical training opportunities in developing countries. In my recent trip to several Latin American countries I stressed reviewing several educational programs which focused on the primary level. This will not be an easy task, but I think A.I.D. can play an important role in assisting countries to establish more efficient systems of education, to moderate the recurrent cost and administrative burdens of these systems, and to relate education systems more effectively to employment opportunities and trained manpower needs.

Question. AID has frequently been criticized for placing too much emphasis on project development, and not enough on project implementation. Do you think that there should be increased incentives to encourage better implementation outside? How should such a system be structured?

Answer. Implementing projects in developing countries is difficult by definition. Most of these poor countries have little managerial skill, institutional framework or physical infrastructure, all of which creates difficulties for AID staff and contractors overseas. AID has been looking for ways to improve the implementation process for some time now.

Early in 1981, the AID Administrator established a Task Force to review and make action recommendations on how to improve AID's programming and implementation process. After extensive study and analysis by senior AID management, the Administrator, on September 30, 1981, approved and put into effect 25 of their recommendations.

The primary thrust of the recommendations was to increase the efficiency of the AID programming process and to place higher priority on improving program and project implementation. To accomplish this, AID has embarked on a more decentralized style of management which calls for greater delegations of authority to the Assistant Administrators and redelegation of this authority to AID Mission Directors in the field. With greater authority in the field to approve and amend projects, and field authority to authorize certain contracts and grants, the Mission Director can now act more quickly and effectively to implement projects.

Improving contracting procedures is another area receiving attention. Due to the relatively small AID direct hire professional staff, the technical nature of our business, and legislative requirements, AID carries out almost all of its implementation tasks through intermediary organizations. A number of these AID activities are contracted out, some are administered by host governments and others are managed directly by AID. AID is taking a number of actions to ensure that contractors perform their agreed upon tasks on time as stipulated in the contract. A number of technical measures are being taken to tighten-up contract monitoring and implementation procedures. Decentralization of many contract administration authorities to AID field Missions is a major means of improving contractor performance. A special task force is presently working on ways of shortening and improving the AID contracting process.

Question. Over the past several years, funding for the various functional accounts has remained in almost the same ratio. Do you foresee maintaining this ratio? If not, what changes in the balance among accounts do you expect the Administration to recommend?

Answer. I do not expect the current ratio to change drastically. Certainly Agriculture, Rural Development and Nutrition will remain our largest account. We will also continue substantial programs in Population and Health. There may be a slight increase in Education and Human Resources, since we want to increase emphasis on training and institutional development. I also expect some increase in Selected Development Activities. This account, unfortunately, is seen as a "catch-all" and has borne a disproportionate share of budget reductions in recent years. It was the only account, for example, which received less than the President requested in FY 1982. However, it is the source of funding for several programs which have very high priority for both the Congress and the Administration. For example: this account funds support for U.S. private and voluntary organization; helps promote participation by U.S. and indigenous private sectors in the development process; is used to help developing countries diversify energy supply and improve the efficiency of energy use; and helps strengthen the capacity of developing countries to manage the environment and their natural resources. We expect to propose some increased funding of this account in the future.

Question. What is AID's role in evaluating ESF projects and activities? What ESF projects have been evaluated in the past two years?

Answer. The coverage of AID's evaluation system estends to ESF projects. As with other projects, a set of performance indicators and an evaluation plan are developed when ESF funds are programmed. In their annual evaluation plans, AID missions and the Agency bureaus list upcoming evaluations of ESF projects together with upcoming evaluations of DA projects. During FY81 and FY82 the following ESF projects were evaluated and reports that summarize the evaluation findings and appropriate follow-up actions were received in Washington:

Evaluation received in AID/W

Project	*Fiscal year*
Botswana:	
Agricultural Planning (6330015)	1981
Southern Africa Manpower Development (6330069)	1981
Botswana-Zambia Road (6330072)	1981
Transport Sector I (6330073)	1981
Rural Sector Grant (6330077)	1982
Health Sevices Development (6330078)	1981
Horticultural Development (6330215)	1981
Egypt:	
Strengthening Rural Health Delivery (2630015)	1982
Water Use and Management (2630017)	1982
Development Decentralization (2630021)	1982
Family Planning (2630029)	1981
Agricultural Development Systems (2630041)	1982
Low Income Housing/Community Upgrading (2630066)	1982
Agricultural Cooperative Development (2630095)	1982
Small Scale Agricultural Activities (2630096)	1982
Basic Village Services I (2630103)	1982
Suez Canal Univ—Faculty of Medicine (2630136)	1982
Jordan:	
Water Management Technology (2780192)	1982
Minerals Development (2780202)	1982
Health Planning and Services Development (2780208)	1982
Village Development III (2780221)	1981
Vocational Training (2780238)	1982
Portugal:	
Technical Consultants & Training (1500001)	1982
Agricultural Production Program (1500023)	1982
Syria:	
English Language Training (2760002)	1981
Technical Health Institute (2760019)	1982
Near East regional:	
AMIDEAST Human Resource Development (2980147)	1981
CRS—Health Education (2980156)	1981
Holy Land Christian Mission Pre-School Education (2980157)	1981

COMMITTEE QUESTIONS

Question. Could you tell us what you believe are the professional qualifications you bring to this job?

Answer. Long-standing interest and exposure to the field of international relations and international economic development, through my academic training, service as the international affairs legislative assistant on the staff of former Senator James B. Pearson, continued interest, involvement and travel during the interim and 18 months experience as an Assistant Administrator with the Agency. In additon, I would cite a record of accomplishment involving extensive management and executive personal selection and development responsibilities.

Question. In the year and a half you have been at A.I.D., what have been your chief responsibilities and accomplishments?

Answer. As I indicated to Senator Pell in a similar question, my duties as Assistant Administrator for External Relations have centered primarily in four main areas in addition to staffing the offices of Public Affairs and Legislative Affairs. First, to work on the development of a coordinated plan for constituencies relations involoving not only those two offices, but all Agency activities that relate to external constituencies. Secondly, to implement the Biden-Pell program and expand it after its successful inauguration.

Thirdly, to develop a coherent policy for the Communications Review Board, (which has resulted in the saving of over one million dollars) to oversee the design and dissemination of A.I.D., publications to make them more effective in reaching broader audiences. Fourthly, to develop a Congressional tracking system that will allow the Office of Legislative Affairs to respond more swiftly to Congressional concerns and to insure that the Congress is more fully informed than it has been in the past with regard to A.I.D.'s contractual activities overseas.

Question. What do you envision as the major responsibilities of the Deputy Administrator?

Answer. As I have stated to similar queries from the members of the committtee, my main responsibilities, if confirmed, will be as set forth in the Delegation of Authority published in the Federal Register, i.e., to perform whatever tasks are assigned to me by the Administrator and to act as his alter-ego and chief operating officer, particularly in his absence.

Question. Could you give the Committee an indication of your management philosophy and how you intend to apply it to A.I.D.? What major areas of A.I.D. management need immediate attention, and which can be considered long-term?

Answer. I am generally a believer in the Drucker-Demming school of participatory management by objective. I have attempted to apply that to A.I.D. since I became an Assistant Administrator by consulting all subordinates on all decisions and insuring that they in turn do the same beneath them. The areas of A.I.D. management that need immediate attention are contracting and personnel selection, placement and career development. The latter should be considered long-term.

Question. Several studies have indicated that AID's project planning and implementation process is excessively lengthy and detailed. What steps will you take to deal with this problem? Do you believe that greater use of ESF funding can be used as a way around this difficulty? How much of this problem can be dealt with inside AID, and how much would require legislative changes?

Answer. The principal studies which pointed out the excessive length of time it took AID to approve and implement projects were the 1978 Booz-Allen, Hamilton Report, which discussed project approval and the FY 81 Portfolio Supervision Report which discussed project implementation. At the time of the Booz-Allen, Hamilton Report, AID was processing Project Identification Documents (PIDs) in 82 days and Project Papers (PPs) in 120 days. As a result of that report, the Administrator issued an executive notice in December 1979 requiring that PIDs be processed within 30 days. As a result of this notice PID processing time has been reduced to an average of 32 days. In April 1980, a similar notice relating to PPs was issued which requested that the processing time be reduced to 60 days. Today, PPs are processed in an average of 58 days.

With regard to implementation, many of the actions required to improve performance have recently been taken as a result of a series of recommendations approved by the Administrator on September 30, 1981. Of major importance were the following: First, the

Delegation of Authority to regional bureaus and missions was increased in December, 1981 to enable more project authorization and implementation decisions to be made in the field or at the regional bureau level. Second, in May 1982, the Administrator reiterated the importance of implementation in a personal message to the Mission Directors which emphasized (1) streamlining operating methods, (2) targeting staff composition and (3) up-grading individual capacity for implementation. Third, the Agency is now issuing a completely revised Project Handbook. For the first time this Handbook will specifically include guidance and procedures to improve implementation. In addition, we have issued the supplementary Project Officers' Handbook and Host Country Contracting Guidebook which detail proper project implementation and monitoring procedures. The senior management of AID will closely monitor the effects of these actions.

While ESF funds can be programmed to disburse more quickly than DA funds, I do not favor a significant shift from DA to ESF as a method of hastening project design and implementation. ESF funds permit the U.S. to rapidly support friendly nations when their need is for an immediate infusion of resources. However, in most of AID's recipient countries, the need is for more modest quantities of carefully targeted resources to resolve specific problems of human resource development and technology transfer. These needs are best addressed by the project approach which AID is now using. Improvements in the project approach can be achieved through administrative changes as noted above and by the continued attention of senior AID management. There is no need for legislative changes in this area.

Question. If you are confirmed, I understand A.I.D. wishes to abolish your current position (Assistant Administrator for External Relations), and re-establish the position of Assistant Administrator for Legislative Affairs. How will these changes make for better administration of A.I.D.?

Answer. As I stated to both Senators Pell and Biden in response to staff queries, the Administrator plans to abolish the present position as a Presidential Appointment as soon as I am confirmed in the Office of Deputy Administrator and that assistant Administratorship will be conferred upon the Office of Legislative Affairs which has been expressed as a desire of some of the staff of the Congress.

The reason we are transferring the Assistant Administrator position stems from the fact that upon our entrance into office we perceived a need for the development for a more coordinated plan of communications with all external individuals and groups interested in A.I.D.'s activities. We feel we have now largely addressed that need and any further coordination can be overseen by me in my capacity as Deputy Administrator.

Question. The Administration has generally used career officers for A.I.D. mission directors and deputy directors. Do you intend on maintaining this general policy in the next two years, or do you anticipate an increase in the number of political appointees?

Answer. I intend on continuing the policy I have maintained since my assumption of office. Namely, that the overwhelming majority of A.I.D. mission directors and deputy directors should logically be found from within the career ranks. I do not anticipate an increase in the number of "political" appointees, but I do anticipate from time to time finding qualified individuals from outside the Agency. I would deny that any appointments from outside the Agency to mission directorships thus far have been politically based. In the two cases where non-career appointments were made they were based entirely on their merits, were both non-political, and were most familiar with the countries where they are stationed. In all appointment decisions, career or non-career, I believe in the meritocracy and the record fully substantiates that commitment.

Question. There was early talk in the Administration of emphasizing bilateral approaches to aid as opposed to multilateral ones. What do you see as an appropriate balance and for what reasons?

Answer. Over the past year there have been several extensive analysis of this question by this Administration. The topic was considered by the Inter-agency Group on U.S. Economic Relations with Developing Nations, in (the drafting and review process for) the assessment of U.S. participation in the Multilateral Development Banks (MDBs) in the 1980's, and in the preparation of the 1982 Report of the Development Coordination Committee. The broad conclusion of these analysis was that these two aid channels have different comparative advantages, depending upon the U.S. foreign policy objective in question as well as the situation of the recipient country. Bilateral and multilateral aid should therefore be seen as complementary rather than competitive.

Some of the advantages of multilateral assistance are: Relatively small amounts of U.S. resources can leverage much larger total assistance flows; MDBs can act as catalysts for directing private capital flows to developing countries; and the perceived impartiality of MDBs can be valuable in promoting needed economic policy reforms.

Support for multilateral institutions is a visible and valuable form of international cooperation and coordination between the U.S. and our western allies.

On the other hand, bilateral assistance can be more effective in addressing particular kinds of development problems and constraints. Advantages of a bilateral approach include: direct application of U.S. expertise in particular areas such as improving agricultural institutions and technology and reducing population growth; the possibility of targeting economic assistance to particular countries and of promoting developing based on market orientation and broad-based growth; and greater visibility for the U.S. and rapid response in providing support to our allies and responding to emergency situations.

This list of comparative advantages makes it clear that the balance between multilateral and bilateral U.S. aid in each developing country would tend to vary depending on U.S. foreign policy priorities as well as developing country needs. These conclusions, along with preliminary budget planning figures for the next several years, indicate that the Administration is now gradually moving toward a relatively greater budgetary emphasis on bilateral aid, but, I would stress, without neglecting multilateral aid. This shift responds to the current world situation. There is a more direct link between U.S. bilateral aid and some of our foreign policy goals such as rapidly and sharply targeted support for particular countries and activities and for clear identification of assistance as coming from the U.S. Any comprehensive program of economic assistance will always require a blend of both mechanisms to be optimally effective.

Question. One reason for favoring the bilateral approach was to obtain more political leverage from our aid programs. What kind of trade-off do you see between long-term development goals and more immediate political objectives in determining our aid program?

Answer. In general, bilateral assistance is more directly responsive to U.S. foreign policy concerns, since it can be directed toward countries and programs of specific interest to the United States. This does not mean that they cannot also be very effective in addressing particular kinds of development problems and constraints in which the United States has a comparative advantage, such as improving agricultural institutions and technology and reducing population growth. In other words, the two considerations are often not mutually exclusive.

Efforts to assist in the solution of long-term development problems through bilateral assistance often go hand-in-hand with our more immediate political objectives in given countries. These two objectives are often complementary rather than being in competition.

Question. Beginning in the early 1970s, bilateral aid programs began to stress a basic human needs approach. Do you feel this is still a central thrust of our aid program, or have we move too far in that direction?

Answer. The overall objective of AID's program, pursuant to the Foreign Assistance Act, is to assist recipient countries meet the basic human needs of their poor majorities through sustained broadly based economic growth. We remain fully committed to that objective.

Significant elements of the bilateral programs administered by AID address basic human needs. PL 480 food aid, jointly administered by AID and USDA, has often had an immediate impact on the nutrition of the poor. There is an important component of technical assistance in AID's agriculture, health, population, and education program which help meet basic human needs.

A vast expansion in the production of goods and services is required to meet the basic human needs of one to two billion people. These include food; health, education, and family planning services; potable water and sanitation facilities; and shelter. Meeting basic human needs also requires better access and delivery systems, including improved access to productive assets (such as land) and affordable, effective methods for the widespread provision of public services. Finally, ensuring the effective demand for basic goods and services will require a matching increase in the incomes of the poor through increased and more productive employment.

All of these efforts require more attention to research and development, to increasing the capacity for problem solving, and to strengthening the administrative and managerial capacity of LDC development planning, research, and implementing institutions, so that basic needs objectives can in fact be accomplished. These are areas where the U.S. government, university and private sector institutions have considerable breadth and depth of expertise and can render meaningful assistance through a wide variety of mechanisms.

Question. Domestically, the Administration has stressed investment and general economic growth as the best means to improve the lot of all Americans, including the poor. How does that approach square with the Basic Human Needs philosophy in our overseas aid program? Do you intend to seek changes in the "New Directions" legislation passed in 1973?

Answer. You may recall that the President not only stressed a resurgent, non-inflationary economy as the best climate for investment and economic growth but also assured the American people that the "safety net" of social and direct transfer programs would not be withdrawn from the needy Americans who are at below the poverty level.

We are taking a similar approach in our international assistance programs and do not believe there is any inconsistency between the President's domestic economic approach and the basic human needs philosophy in our overseas aid program. We believe that an increased concern with growth does not imply a diminished concern with poverty. Indeed, in most developing countries, AID is implementing a broadly based, employment oriented pattern of development as the most effective way of achieving a sustained rate of economic growth as well as ensuring that the poor share in the benefits of that growth. Any refinements in the "New Directions" legislation that might be discussed would be fully consistent with the Congress' objective in establishing the "New Directions" approach.

Question. I assume you are now in the planning process for next year's legislative package. What kind of consultations do you intend to hold with the Congress during that process?

Answer. We have begun to solicit suggestions for legislative changes from our bureaus and field missions, but our review of them has not yet been completed. We have, however, been in consultation with staffs from both authorizing committees to solicit their views on possible legislative initiatives for fiscal 1984. I expect that this dialogue will continue through the legislative cycle.

Question. Have any decisions yet been taken within AID as to the kind of legislative package you may request next year in terms of policy changes?

Answer. As indicated in my answer to the previous question, our review of legislative options for fiscal year 1984 is still in its very preliminary stages. No final decisions have been made on what, if any, policy changes will be requested for fiscal year 1984.

Question. What has been your experience with a two-year authorization? Is it likely you may request a two-year authorization in the next Congress?

Answer. I believe that a two-year authorization has considerable merit. Establishing a policy framework over a longer period of time provides greater continuity to our foreign assistance activities. At the same time, it allows Congress, together with the Administration, to make a more substantive review of overall economic assistance policy and direction. In this regard, I believe our experience this year has been favorable. There always remains the possibility that changed circumstances may require requests for additional authorizing legislation.

Question. Do you feel A.I.D. programming is unduly constrained by having your authorization and appropriations divided into five functional accounts? If so, could you give us some concrete examples of where such constraints limit programming, and how might this problem be rectified legislatively?

Answer. There is no doubt that the functional accounts structure does create constraints in our programming process. Since our budget request is prepared more than a year in advance of authorization and appropriation, it is not realistic to expect that projects and project amounts can be identified with absolute precision at that time. Thus, we frequently find ourselves in the position of requiring greater or lesser amounts of, for example, agriculture or health funds. While we can generally accommodate most needs of our missions, the process is labor-intensive and ultimately results in increased special notifications to the Congress of program changes. In any event, however, we would want to be working in the current categories—food production, population, health, education, energy, etc.

We believe it is important to maintain some flexibility in the system. A.I.D.'s budgetary responsibilities are complex. We must balance country levels and special concerns such as funding for private and voluntary organizations within functional accounts totals; and the whole package must be tailored to the requirements of individual projects. Clearly, the ability to make marginal adjustments in budgetary controls, with Congressional concurrence, enhances prospects for developing the most effective program possible. We are now reviewing options for new legislation, and we may want to propose some minor revisions when we transmit the FY 1984 budget.

Question. The new Bureau for Private Enterprise has been in existence for a year and a half and has sent out study missions to selected countries. When should we look for positive results from this program?

Answer. The findings of reconnaissance missions sent out to date have resulted in the development of an overall Bureau for Private Enterprise program (many activities of which are currently underway and others are still in the planning stages) which incorporates the following elements:

Climate for Investment.—Identify policy, legal, and regulatory changes needed to improve the overall investment environment in selected countries.

Investment Promotions.—Identify potential business ventures in LDCs which are attractive for private investment.

Training/Technical Assistance.—Identify and meet short-term management/vocational training and technical assistance requirements as related to entrepreneurial problem-solving.

Project Financing.—Identify specific private, for-profit business projects to receive Bureau loan funds.

Activities are planned or underway in each of these areas in several of the Bureau's targeted countries. A more detailed list is attached for your information.

Question. Is your emphasis in the private sector on promoting U.S. commercial activity in developing countries, on stimulating an indigenous private commercial sector, or both? Are these goals compatible?

Answer. AID is emphasizing the developing of indigenous private business environments, thus providing a mechanism for achieving the development objective of equitable economic growth. We support U.S. private business contributions to that objective through tapping managerial skill and technical links. We believe that these goals are compatible.

Question. What share of AID funds are now chanelled through private voluntary organizations and what share is this of your grant funds? What other kinds of organizations, such as universities and multilateral organizations, also compete for AID grant funds?

Answer. AID provides funding to PVOs, as follows, from the Development Assistance accounts earmarked by the Congress in the FAA:

PVO PROGRAM SUMMARY EARMARKED ACCOUNTS

[Dollars in millions]

Fiscal year	Total program	Grant	PVO	Percent	
				Program	Grant
1981 (actual)	$1,320.3	$933.3	$175.5	13.3	18.8
1982 (estimate)	1,415.9	1,095.6	188.1	13.3	17.2
1983 (estimate)	1,417.0	1,032.6	195.4	13.8	18.9

In addition to PVOs, educational institutions and multilateral organizations, grants are made to other non-profit organizations, quasi U.S. government organizations like the National Academy of Sciences, international agricultural research organizations and a few for-profit organizations.

Question. Do you expect may PVOs to have trouble meeting the requirement that at least 20 percent of their funding for overseas activities not come from the Federal Government? Will this legislation favor the older, established PVOs and make it difficult for new organizations to get into AID activities?

Answer. Of the 156 private and voluntary organizations currently registered with AID, approximately 25 organizations do not meet the 20 percent requirement at this time. However, the legislative requirement does not take effect until December 31, 1984. In the interim, we are encouraging these organizations to enhance their capacity for securing private funds. We support the legislative intent of discouraging PVO dependence on government financing of their international programs and encouraging their independence of action. We especially support the legislative goal of ensuring that PVOs continue to leverage additional private financial resources for development and, simultaneously, build awareness of third world development issues among the American public. Although the legislative requirement may act as some constraint on our ability to work with some organizations, we believe it is too early to determine the full impact of the provisions. There may well be situations where we may wish to consider a waiver of these requirements to enable AID to work with a particular PVO. As we approach the effective date of the new provision, we will certainly keep the Congress apprised of our assessment of its impact.

Question. AID has prepared new basic policy guidelines regarding the relationship between AID and private voluntary organizations. What role did you play in the formulation of those guidelines? What departures from previous policy have been made? What kinds of steps would you envision to increase AID's reliance on PVOs in the future?

Answer. I believe it fair to say that I was primarily responsible for initiating and insisting on the process that resulted in our recent finalization of the new PVO guidelines. Upon my arrival at AID, it became quickly evident that an effective PVO/AID relationship was critical to our efforts to achieve our developing objectives. We were engaged in a plethora of relationships with PVOs, often on an ad hoc basis. It was my belief that this relationship needed to be examined and could be more effective if operated under consistent and well understood guidelines. During the course of development, the PVO/AID policy paper went through extensive review within the Agency, throughout our missions, and within the PVO community under the aegis of the Advisory Committee on Voluntary Foreign Aid. We believe the final product represents our best judgment of what the AID/PVO relationship is and how it can most effectively and consistently expand.

Question. International Fund for Agricultural Development (IFAD): Although the Congress has authorized a U.S. contribution of $180 million for the first replenishment of IFAD, no funds were appropriated for FY 1982. How strongly does the Administration intend to press for funds in FY 1983?

Answer. This Administration completed negotiations of the first replenishment for IFAD early this year and has requested $65.4 million in FY 1983 as the first tranche toward its pledge of $180 million. We continue to believe IFAD is an important development institution. Having successfully addressed Congressional concerns about burden sharing and IFAD staffing, we have been very actively seeking support on the Hill for the '83 request.

Question. This Committee recommended abolishing IDCA in the 1982–83 foreign aid bill, but we ultimately receded to the House on this issue. After a year and a half experience, are you now ready to either staff IDCA or ask for its abolishment?

Answer. Discussions concerning the future of IDCA have been going on during the past year. Additionally, consultations with committee staff have also been held. At this time, I do not know when a decision will be made or what will be the nature of that decision. I can assure you that we will be in close consultation with Members and staff on this subject.

Question. This Committee has strongly supported AID's efforts to strengthen its program for self-evaluation. The Office of Evaluation now seems to be doing a commendable job. What plans do you have for any changes in its activities?

Answer. We appreciate the Committee's support for an objective self-evaluation process. While continuing to improve the program of impact evaluations, in the future greater emphasis will be placed on synthesis of results and utilization of findings. Increased attention will be given to improving evaluation guidance, training, and planning throughout the Agency.

QUESTIONS BY SENATOR BIDEN

Question. This Administration's approach to foreign assistance, as distinct from that of its predecessor, seems to be a to favor bilateral aid over multilateral aid and to stress political aid programs over strictly development oriented efforts. In the long run, how successful can this approach be in addressing the underlying socio-economic causes of political instability in the Third World?

Answer. We believe that both bilateral and multilateral aid have important roles to play in the U.S. foreign assistance program. Both types of assistance have different comparative advantages depending upon the U.S. objective in question as well as the situation in the recipient country.

Bilateral assistance can be more effective in addressing particular kinds of development problems and constraints. Advantages of a bilateral approach include: Direct application of U.S. expertise in particular areas such as improving agricultural institutions and technology and reducing population growth; the possibility of targeting economic assistance to particular countries and of promoting development based on market orientation and broad-based growth; and greater visibility for the U.S. and rapid response in providing support to our allies and responding to emergency situations.

As for relative emphasis on political compared to development-oriented aid, we believe that the distinction drawn between the two is often an artificial one and that assistance programs can be designed in most instances to efficiently serve both objectives. To the extent that there are conflicts in particular cases, our overall assistance effort must seek to provide a balanced approach to the various short and long term U.S. objectives.

We agree that long term socio-economic problems often result in Third World political instability. For that reason the overwhelming majority of U.S. assistance programs are designed to have a major long term development impact. However, it must be kept in mind that assistance to tide a country over a short term balance of payments or domestic liquidity crisis, conditioned as needed on appropriate policy changes, can have a significant impact in facilitating the country's return to stable long term growth.

Question. The President has stated that the most potent weapon for economic development in the Third World is the "Magic of the Market Place." Can you give us some examples of how this "Magic" either has worked or can work in countries with rudimentary economic infrastructures and limited natural resources?

Answer. In 1960 President Houphouet-Boigny of the Ivory Coast challenged President Kwame Nkrumah of Ghana to an economic contest: Which system, the Ivory Coast's market-oriented economy or Ghana's socialist economy, would be more productive? Both countries started with similar resources (Ghana had a richer mineral endowment) and similar levels of physical and human capital. Over the twenty years between 1960 and 1980, Ghana's GDP grew at 2 percent per year, which meant that with her population growing at 2.7 percent, her people were being slowly impoverished. GDP in the Ivory Coast, on the other hand grew at 7.4 percent per year, not only enriching its own population but providing gainful employment for thousands of Sahelian workers from Mali, Upper Volta, and Ghana, itself.

In 1964 at independence, the country of Malawi was poor, landlocked, devoid of mineral resources, possessing only 200km of paved road and thirty-three college graduates. Following market-oriented development principles, receiving substantial foreign assistance (largely from the U.K.), and assisting the private sector by expanding the transportation, communication, and energy base, Malawi has grown faster than any other small, poor landlocked country in the world.

Question. Some critics charge that the Administration's Central American policies, particularly regarding the Caribbean Basin Initiative, stress economic aid that props up governments, replacing the capital that local businessmen and bankers are sending to Miami and swiss banks, rather than aid to build the countries economies and make them stronger and more stable societies. How do you respond to such criticism?

Answer. It will not be easy to maintain investment in those Caribbean Basin countries experiencing serious political turmoil. Our initial measures, together with those of the respective host governments, will be aimed at maintaining and then ultimately rebuilding the confidence of domestic investors. A variety of solutions is necessary, as the economies are deteriorating for both political and economic reasons.

Our major programs have been designed and will be implemented in close collaboration with similar support programs of other donors, particularly the World Bank and the International Monetary Fund. These programs are mutually reinforcing and aimed at establishing policies which stem the outflow of capital. For example, some countries have been reassessing their interest rate policies, which have contributed to capital outflows in instances where domestic rates are lower than international rates.

The outflow of capital is a problem which is not susceptible to quick-fix solutions. Monetary controls can help stem the outflow to some extent, but inevitably these controls create distortions and disincentives, and new and ingenious ways to export capital can always be found.

Over the longer term, we hope capital will return as conditions improve. Political stability is a prerequisite. For the interim, we need a combination of balance-of-payments aid, private credit and increased trade opportunities to stabilize the economies and to stimulate export-earning activities so as to overcome the foreign exchange shortfalls.

Question. Critics of the foreign aid efforts of the United States point to the declining percentage of our GNP we devote to development aid overseas, compared to our European allies. They suggest that while our gross aid expenditures rank us high on any scale, the vast bulk of this is political and military aid which does little to improve the lives of the poor majorities in the LDCs. Since this Administration is planning even smaller allocations of development aid, both bilateral and multilateral, with very low and even negative real growth rates in the fiscal 1983–1985 period, what are your views on our current and projected record?

Answer. While the U.S. has not attained the percentage levels of foreign assistance urged by groups such as the Brandt Commission, our total assistance, as you point out, ranks high on the list of donors. I must, however, disagree with the statement that "political" assistance, if by that term is meant the Economic Support Fund (ESF), inherently does little to improve the lives of the poor majorities in LDCs.

As you know, the FAA calls for ESF assistance to be programmed, insofar as is possible, to meet the same ends as Development Assistance. ESF is a highly flexible assistance instrument which can be used to meet unexpected needs or needs which would not necessarily qualify for the more narrowly defined for Development Assistance. The Administration is very careful to consider the best use of these funds in any country setting and, to the extent possible, endeavors to ensure that it is supportive of development.

It is not possible to discuss precise future assistance levels at this time, as the FY 1984 budget request is still under development. It must be remembered, though, that the foreign assistance budget is developed in a context of growing federal budgetary stringencies and competing demands for funds from other sectors of government and the economy. It is necessary, therefore, for the Administration to carefully balance these demands and develop a Federal budget request which, in the aggregate, makes the best use of limited resources.

The President, however, fully supports the communiques issued at the conclusion of the Versailles, Ottawa and Cancun meetings, in which the U.S. pledged itself to support development efforts in LDCs to the greatest extent possible.

Question. How do you respond to critics who see a contradiction in the planned cutbacks in our contributions to multilateral institutions like the World Bank, the International Development Association (IDA), and the Inter-American Development Bank (IDB), all of which benefit Latin American countries, when the Administration has pushed through a $350 million CBI package and promised additional resources to the region?

Answer. Before responding to the question it is necessary to specify the Administration's position toward funding for the multilateral institutions mentioned above which lend in Latin America. The Administration is not proposing to reduce our current funding level to the World Bank. We are currently contributing as planned to a General Capital Increase which will provide funding to the Bank through the mid-1980's, and no planning has been done concerning the Bank's financing after that point. Concerning IDA, which provides almost no funds to Latin America, the Administration is acquiescing in a Congressionally mandated stretch-out of our IDA VI contribution.

Concerning the IDB, the U.S. is now seeking to negotiate a sixth replenishment of resources. The current U.S. position in these negotiations, while calling for substantial reductions in concessional window (FSO) funding, would permit total lending to all borrowers, but Argentina, Brazil, and Mexico, to grow by at least 13½ percent per year.

We believe that our position in the IDB negotiations is perfectly consistent with our CBI proposals.

FSO funds will continue to be available for the poorest countries, e.g., Haiti, Honduras, Eastern Caribbean Islands.

Overall Bank lending to the CBI region would grow by at least 13½ percent per year.

While the CBI recipients are experiencing serious short term balance of payments and economic problems now, we believe that many of their economies are sufficiently well developed that when the current crisis is over they can service substantial capital window MDB debt. Capital window loans under the new IDB replenishment are not likely to require any debt service until the last years of the 1980's.

Question. Do you think your previous experience qualifies you for the position to which you have been nominated? What is the extent of your professional involvement with development and your first-hand experience in developing countries? What is the extent of your involvement in international affairs?

Answer. The answer to the first part of this three part question is yes. I think my previous experience qualifies me for this position. I am familiar with both the broad subject matter and with many of the managerial issues confronting the Agency, both from previous jobs and academic training and from my experience at A.I.D. over the past 18 months. My first hand operating experience in developing countries is rather limited. But since the Agency is comprised of over 5,000 career specialist ranging from nutritionists to botanists, I do not believe that field experience is crucial to the broad managerial and administrative policy questions which I must handle as Deputy Administrator.

My involvement in international affairs dates back to both my entire academic training and my service as a legislative assistant on international matters for former Senator James B. Pearson, including the first years that he served on the Senate Foreign Relations Committee.

I believe there is a need for objectivity and distance from internal specialization in the most senior management positions in the Agency. I would point out that there are 5,502 A.I.D. employees, only 12 of which are designated by law as Presidential appointments. The purpose of those 12 Presidential positions is obviously to provide overall policy guidance in accordance with the Administration's general policies for foreign policy and economic development. I believe it is clear this Administration feels more comfortable in general with that policy direction being provided by individuals of the President's own choosing and not individuals who hold career positions.

Question. What is your own personal conception of the proper purpose of Official Development Assistance efforts? Should it be to make friends for the United States, to help developing countries develop self-sustaining economies, or to reward support for U.S. foreign policies in general?

Answer. In short, the answer is all of the above. Properly used, U.S. development cooperation programs are a major instrument in U.S. foreign policy and are the principal way in which the U.S. seeks to ensure security, political and economic stability and growth sufficient to allow our friends and allies to pursue their own peaceful development.

At the same time, while security and political factors are important considerations in U.S. foreign policy, we must also maintain our strong commitment to development and humanitarian concerns. The U.S. has broad economic, political, and humanitarian interests in seeing an acceptable rate of growth in the LDCs. Similarly, we must recognize that the economic crisis which currently faces the low income countries has significant adverse implications for U.S. interests.

"U.S. interests," therefore, must be interpreted in the broadest sense of the term, to include economic growth with equity in the LDCs and the resultant political and social stability it engenders. Properly used, Official Development Assistance must take into account a wide range of concerns and interests which impact on U.S. security interests. These are the same broad array of concerns, incidentally, as those specifically expressed in the foreign assistance legislation under which AID operates.

Question. Do you think aid recipients should have to pass a "loyalty" test to be eligible for development assistance? In that connection, do you think we should have a "hit list" of countries whose aid should be decreased or eliminated because they vote against U.S. positions in the UN and other international bodies?

Answer. There is no such thing as a "loyalty" test or "hit list" insofar as U.S. assistance is concerned, nor should there be. At the same time, it must be recognized that our assistance, while addressing humanitarian and development concerns, is an important part of U.S. foreign policy. Thus, decisions on the allocation and levels of foreign assistance made by the Administration must take into account a wide range of concerns and interests which impact U.S. interests. To do otherwise would be simplistic.

U.S. assistance is programmed to meet two ends, which are not necessarily mutually exclusive: engendering equitable growth in poor countries and supporting U.S. foreign policy. U.S. assistance reflects the broad U.S. economic, political, and humanitarian interest in seeing an acceptable rate of growth in the LDCs and the recognition that the economic crisis which currently faces the low income countries has significant adverse implications for U.S. interests. At the same time, the Administration recognize that U.S. assistance is one of the principal ways in which the U.S. can seek to ensure security, political and economic stability in recipient countries.

Question. Do you think the current priorities of the U.S. bilateral aid program are the right ones? Do they support the "New Directions" mandate Congress has written into the Foreign Assistance Act, which requires that to the maximum extent possible economic aid should reach the poorest of the poor in the LDCs, as opposed to being used for expensive infrastructure projects?

Answer. The answer to both questions is yes. We believe that we are utilizing the resources given to us to the maximum extent possible to benefit the poor. The current priorities of the bilateral aid program benefit the poor because they emphasize investment in productive capacity and institutions that give a country the capability to grow and to improve the lives of its poor on a sustainable basis. We target the bulk of our assistance on programs that benefit the poor through increasing the productivity of the crops they grow and the technologies and skills they employ, and on countries and regions within countries where the poor live.

We continue to give relative priority to agriculture and rural development since the majority of the poor in many developing countries, and especially in the low-income countries, still live in rural areas and are heavily dependent on agriculture for income and employment. Most important, agriculture must provide a dependable supply of food for domestic consumption. A.I.D.'s programs also continue to emphasize investment in human resources through assistance for cost-effective programs in health, nutrition, family planning, education and training. Assistance for the expansion and conservation of energy, vital for sustained development, is also a continuing emphasis.

A major new focus is on strengthening the role of private enterprise as an efficient means to promote broadly based growth. Two additional, but related, new emphases are institutional development and technology development and transfer. Progress in these areas is essential if a country is to provide its own self-sustaining capacity to help the poor increase their productivity and incomes.

Since sound country policies are fundamental to economic growth and the implementation of broadly based strategies, this Administration is giving major attention to our dialogue with recipient countries on improving their development policies. A policy framework that relies largely on free market operations, provides adequate production incentives and equitable access to resources and education, and that accords appropriate priority to public investments in infrastructure and essential institutions, is likely to be most effective.

Question. The Reagan Administration seems to be funneling larger percentages of economic aid into Economic Support Fund projects. As the aid pie shrinks, does not this inevitably mean that less and less will be available for the "New Directions"-type programs?

Answer. It is true that the Administration gives high priority to essential security assistance programs, including the Economic Support Fund. But it is important to remember that ESF funds can be used as a flexible instrument serving a variety of objectives, including developmental ones. The Administration is very careful to consider the best use of these funds in any country setting and to the extent possible, endeavors to insure that it is supportive of development. Economic objectives, in fact, continue by far to be the main focus of non-military U.S. bilateral assistance.

While much of the ESF account is used for some form of balance-of-payments support, we feel that much of this more immediate economic support is essential in order for many developing countries to achieve economic growth and improvement in the living conditions of poor people. Over the longer term, ESF, even when it does not take the form of projects, is part of an integrated assistance effort serving development objectives. It is in this context that AID supports the use of ESF funds to the maximum extent feasible to meet development policy objectives of the FAA.

Question. How should AID structure its programs better to utilize the shrinking funds available to it? Are Washington operations too large vis-a-vis AID's overseas operations?

Answer. For many years AID has provided development assistance in the form of projects. We have found that this method of delivering assistance assures AID and the Congress that the assistance gets to the intended beneficiaries and provides us an opportunity to audit project records also. The present funding level still provides for AID operations in over sixty countries.

Although AID is reducing its overall U.S. direct hire staff through attrition, we have maintained and will continue to maintain approximately the same level of U.S. direct hire staff overseas for the period fiscal year 1981 through fiscal year 1986.

AID Washington full-time staff has been reduced from 2,329 in fiscal year 1977 to 1,942 as of August 20, 1982. This is a net loss of 387 employees or 17 percent of the AID Washington full-time staff.

In January 1981, AID Washington full-time staff was at 2,122. It has since been reduced by 180, to the present level. We believe that due to general operating and worldwide staffing requirements it would be most difficult to reduce AID Washington staff much below the present level.

Question. You are the first "political" appointee ever to be nominated to be Deputy Administrator of A.I.D. You are replacing a career professional with years of field and Washington experience with the Agency. What do you think is the effect on career officer morale when people are brought in from the outside to fill such a senior position? Does your nomination reflect a growing politicalization of A.I.D.?

Answer. I do not think the effect on career officer morale will be negative because it does not preclude the filling of this or other Presidential posts in the future with career individuals. I cannot see how my nomination reflects any growing politicization of A.I.D. when the purpose of Presidential appointments is to allow the President, in fact choose individuals from outside the career service.

A growing politicization of A.I.D. might occur if field positions were awarded to non-specialists for partisan reasons. This, however, is not the case at A.I.D. under this Administration. Of all Mission Directors and A.I.D. representatives in the field only two have been selected from non-career ranks. Both non-career appointees are excellent individuals with no political background and have intimate knowledge of their respective countries. Since I am the final clearance, and have been since my arrival at A.I.D., on such recommendations to the Administrator, I think my actions prove that beyond question there is no intent to "politicize" A.I.D. past the limits already established by A.I.D.'s statutory in appointing authority.

Question. In this connection, A.I.D. has hired a number of special assistants to backstop political appointees in several of its bureaus and offices. Please provide the committee with a detailed list of special assistants who have been hired since January 20, 1981. How does the number of special assistants hired in this time period compare to the number that existed during the previous administration? What is the reason for hiring so many special assistants?

Answer. A.I.D. has not hired a number of special assistants to backstop its political appointees. These political appointees do not need backstopping, but they do need assistance in sending off unwanted visitors, moving paper work more rapidly when it has priority, and generally performing tasks of a special project nature. If you will note from the list already supplied to the committee the number of special assistants hired for the personal staff of Presidential appointees is the same as the number of the last year of the Carter Administration (20). Therefore, we do not feel the number is unusual or excessive and the reason is the same as used in previous administrations; viz. to provide administrative support and assistance in cutting through the bureaucracy, not to provide technical expertise and backstopping any alleged shortcomings on the part of senior political appointees.

Question. You have indicated to Committee staff that, if confirmed for this new post, you will recommend that A.I.D. abolish your present position. Why was your present position originally created? Why do you feel that A.I.D. should abolish it?

Answer. As I indicated to Senator Pell when posed a similar question, yes, the Administrator plans to abolish the present position as a Presidential Appointment as soon as I am confirmed in the Office of Deputy Administrator and that Assistant Administratorship will be conferred upon the Office of Legislative Affairs which has been expressed as a desire of some of the staff of members of Congress.

The reason we are transferring the Assistant Administrator position stems from the fact that upon our entrance into office we perceived a need for the development of a more coordinated plan of communications with all external individuals and groups interested in A.I.D.'s activities. We feel we have now largely addressed that need and any further coordination can be overseen by me in my capacity as Deputy Administrator.

Question. It is my understanding that A.I.D. intends to upgrade the Congressional Affairs office to an Assistant Administrator position, confirmable by the Senate. Why was the decision originally made to downgrade this post in 1981? Why have you now concluded that it needs to be upgraded, returning it to the status it enjoyed prior to this Administration? To what extent did the creation of your position as AA for External Relations influence the decision last year to downgrade the Congressional Affairs position?

Answer. As I answered in several previous questions, the reason that we are upgrading it is because we have accomplished the coordinating objectives originally set forth in the Office of External Relations and given my background and my experience in the area, particularly within the Agency, it is felt that I can continue to adequately oversee those functions from the Deputy's position. Obviously the decision to create the position of AA for External Relations clearly resulted in the downgrading of the head of Congressional Affairs temporarily, in order to allow coordination to take place across the spectrum in all Agency external affairs. It would have been impossible to exercise that authority (External Relations) had the job not been of Presidential rank, especially in light of the fact that I also was responsible for including the Legislative Affairs activities in the Agency's overall external relations efforts.

Question. What is the status of the Office of Women in Development? What plans does AID have to upgrade this office or to expand its activities in this area?

Answer. The Office of Women in Development is now located in the Bureau for Policy and Program Coordination. This allows for greater visibility within the Agency, and provides for greater impact on, and integration into, Agency programs and projects at the planning and design stage.

Under the present Administration, and with the full support of the Administrator, the Office of Women in Development (PPC/WID) has expanded its staff. The addition of substantive staff members allows the PPC/WID Office to review and manage more closely the projects within its own portfolio, and to provide more substantive and technical representation to the Bureaus for the planning and design of AID's larger field projects.

For the first time since the establishment of the Women in Development Office in 1974, the Agency has a formal policy paper which spells out how LDC women's concerns are to be integrated into AID's program. The policy paper affirms that the Agency's effort to undertake an effective development strategy promoting balanced economic development, is strongly dependent on the degree to which women and girls fulfill their potential contribution and share in their society's gains.

The 1982 Report to Congress, due December 30, 1982, will provide updated information on the status of women in development activities at the mission level and provide the data to begin evaluation of the integration of women into AID's development activities and projects.

The PPC/WID Office has previously funded the establishment of Centers at Universities, supported conferences and seminars on women in development activities, and published and disseminated information. While the Office will continue to provide support for these activities, the focus will not be directed towards translating this expertise into direct technical assistance to the Missions. This will serve to integrate and mainstream women in development activities at the mission level.

In terms of women's advancement in LDC's, some obstacles have been overcome, some have been minimized but many remain. The PPC/WID Office is firmly committed to the application and support of the Percy Amendment, and has taken an active role in attempting to remove the obstacles to the successful application of this Amendment and to allow women to contribute fully in the development process.

Question. Do you believe that a principal objective of the foreign policy of the United States is the encouragement and sustained support of the people of developing countries in their efforts to acquire knowledge and resources essential to build the economic, political, and social institutions which will improve the quality of their lives? Please elaborate your views.

Answer. Yes, I do believe that the kind of encouragement and support of development efforts you indicate in your question is a principal objective of U.S. foreign policy. We in A.I.D. are prepared to ask the Congress for sustained support of such efforts in countries pursuing economic and social policies that encourage broadly-based economic growth, including a dynamic private sector. Your question also suggests that one of the most important ways we can effectively help the peoples of developing countries is through providing knowledge and resources required to build development-related institutions. I agree very strongly with this view. A major emphasis of A.I.D. policy, which I wholeheartedly support, is to assist the creation and strengthening of public and private institutions which give the peoples of recipient countries the self-sustaining capacity to solve their own economic, social and political problems.

Question. Do you believe United States development cooperation policy should emphasize the following four principal goals?

(a) The alleviation of the worst physical manifestations of poverty among the world's poor majority. What programs would assist in accomplishing this goal? Please elaborate in detail.

(b) The promotion of conditions enabling developing countries to achieve self-sustaining economic growth with equitable distribution of benefits. How do you believe this goal can be best accomplished? Please elaborate in detail.

(c) The encourage of development processes in which individual civil and economic rights are respected and enhanced. How do you believe these goals can be accomplished? Please elaborate in detail.

(d) The integration of the developing countries into an open and equitable international economic system. How do you think this goal can be accomplished? Please elaborate in detail.

Answer. I believe that United States development cooperation policy should emphasize each of the four principal goals cited in the question: the alleviation of the worst physical manifestations of poverty among the world's poor majority; the promotion of conditions enabling developing countries to achieve self-sustaining economic growth with equitable distribution of benefits; the encouragement of development processes in which individual civil and economic rights are respected and enhanced; and the integration of the developing countries into an open and equitable international economic system. For purposes both of directly addressing poverty and encouraging sustainable economic growth along equitable patterns, the AID program places great emphasis on human resource development (through better health, education, nutrition and family planning) and on achieving sustainable increases in employment and production, especially in the agricultural sector. Most of the poor are in the rural sectors and depend on agricultural production for their livelihood. Further, satisfactory rates of growth in agricultural output are essential in most countries to success in accomplishing rapid sustainable economic growth along equitable patterns. Apart from these sectoral emphases, we attach considerable importance to the economic policies of recipient countries, and to maintaining a constructive and enlightened policy dialogue, since we believe that the policies implemented by developing countries are the single most important determinant of the success or failure of efforts to development. Third, we are placing great emphasis on promoting a vigorous growth of private enterprise. Provided such growth is widespread and not concentrated in a few hands, it will broaden the bases of political power, help to create an independent middle class, promote decentralization of authority and leadership, and to help to separate economic power from political and other forms of power. Thus, our emphasis on the private sector serves not only the purposes of increased efficiency growth, and poverty alleviation, but also the broader political-developmental purposes mentioned in Part C of the question. Fourth, U.S. development policy actively supports institutions such as the UN and the World Bank Group, which promote the integration of the developing countries into an open and equitable international economic system. United States development cooperation policy places priority on the low-income developing countries in allocations of concessional assistance. These are the countries where poverty is most widespread, where the challenge of achieving sustainable economic growth is greatest; and which are most marginal to the international economic system.

Question. Do you believe that the pursuit of the above goals are fully reflected in the current United States foreign policy and that United States development resources are effectively and efficiently utilized in the pursuit of these goals? Please elaborate in detail.

Answer. I believe that each of the goals cited in question 18 are fully reflected in current United States development cooperation policy, which in turn is an important element (but obviously not the only element) in current United States foreign policy. The policies and programs implemented by this administration are explicitly intended to insure that United States development resources are effectively utilized in the pursuit of these goals. These include: the sectoral emphases on agriculture and rural development, health and population, and education and energy; the cross cutting emphases on the private sector, on institution building; and on technical assistance and transfer of technology; the concern with economic policies and with maintaining a policy dialogue; and the emphasis in assistance allocations on low-income developing countries.

Question. Do you agree that the provision of development resources must be adopted to the needs and capabilities of individual developing countries? Please explain in detail.

Answer. I fully agree that our assistance should be consistent with the individual country situation. This can relate to not only the specific activities or sectors which are the focus of our assistance but also the terms or forms of the assistance. Our field missions plan a particularly important role in identifying particular development problems and constraints in the recipient country and shaping, in light of these considerations, our assistance program.

Question. Do you agree that U.S. assistance to countries with low per capita incomes which have limited access to private external resources should primarily be provided on concessional terms? Please explain your views in detail.

Answer. It has long been a basic tenet of AID policy that our assistance to the low income countries should be on concessional terms reflecting their economic situation. This is clearly illustrated in our policy toward the least developed countries. For these very poor countries AID's policy is to provide, to the extent possible, assistance in the form of grants.

Question. As for the middle to upper income developing countries, what kinds of programs do you think facilitate their access to private capital markets, investment, and technical skills? Please explain your views in detail.

Answer. In middle to upper income developing countries we believe a private enterprise related initiative should focus on improving the legal, policy, and regulatory environment conducive to positive private investment decisions, while encouraging the establishment of business relationships between U.S. business organizations, trade associations and other private entities, and similar groups in those middle to upper income countries.

As compared to the lower income developing countries, those in the middle to upper range have (to varying degrees) the infrastructure base to attract investment, including, among others: Physical infrastructure; communications and transportation systems; limited financial services; and availability of high potential human resources.

While improvements no doubt can still be made in these areas, the needs, when compared to lower income countries, are not as great.

In this environment, AID can leverage its resources by focusing on assistance which will foster a policy, legal and regulatory climate conducive and attractive to private investment. Given the availability of the resources mentioned above, a critical factor in business decision-making regarding capital investment is the degree to which a company feels relatively assured that the overall climate for investment is attractive and likely to remain so. Encouraging the development of business relationships, in a conducive investment environment, will enhance private investment and allow for access by these countries to needed skills and technologies at relatively low cost to AID.

This is why the political risk guaranty program of OPIC has proven important.

Question. Do you agree that bilateral assistance and U.S. participation in multilateral institutions should emphasize programs in support of countries which pursue development strategies designed to meet basic human needs and achieve self-sustaining growth with equity? Please elaborate in detail.

Answer. I agree that bilateral assistance and U.S. participation in multilateral institutions should emphasize programs in support of countries which pursue effective development strategies that meet basic human needs and achieve self-sustaining growth with equity. These two objectives are closely related. Investment in human resources through improved health, education, and nutrition has been shown to be an important positive factor in achieving higher rates of economic growth along more equitable patterns. At the same time, achieving rapid and broadly-based economic growth—where gains in output and employment are widespread among sectors and regions, rather than concentrated—is the best strategy for meeting basic human needs.

QUESTIONS BY SENATOR BIDEN

Question. What is your definition of basic human needs?

Answer. "Basic human needs" refers both to a statement of development objectives and an approach for achieving those objectives. As a statement of objectives, the term focuses on the minimal material requirements for a decent existence—an adequate diet and clean water; sufficient shelter; access to basic health services; and enough education to function in society. As an approach to development "basic human needs" entails a considerable emphasis on human resource development and on other policies and programs to achieve rapid, and widespread gains in production and employment, especially in the agricultural sector.

Question. Recent developments in Mexico have focused international attention on the problems of third world debt. Given the enormity of our current and planned aid programs for Egypt and Pakistan, what steps are being taken by AID and the State Department to ensure that our aid loans do not exacerbate their already seriously exposed public debt situation.

Answer. Our assistance to Egypt and Pakistan is provided on concessional terms consistent with their level of economic development. Given the concessionality of our assistance to these countries, particularly the large proportion of grants in our total assistance as well as the fact that our loans to these countries have a 10 year grace period and 2 percent interest rate during the grace period, AID assistance to these countries should not exacerbate their debt problems.

QUESTIONS BY SENATOR GLENN

Question. I understand that AID has initially refused to honor the request of another committee of Congress to submit copies of project papers on certain private sector activities. What position do you take on sharing information with Congress? What kind of attitude do you have regarding the Agency's response to Congressional requests for information?

Answer. There was concern in AID that certain private enterprise finance project papers which recited business data including profit forecasts, contained proprietary information submitted to AID on a confidential basis. After review, all requested papers were submitted to the committee with the understanding that the proprietary information would be held on a confidential basis.

Consistent with our responsibilities as part of the Executive Branch of government, I believe AID should be as responsive, open and cooperative as possible to all Congressional requests for information, recognizing that situations will arise in which proprietary information will have to be provided on a confidential basis.

Question. Private sector activities that AID has indicated that it would like to fund have not been clearly defined. In theory, these acitivities could range from agribusiness to tourism and mining. What, in your view, are the statutory parameters of AID's funding of private sector activities? Are activities outside the agricultural sector being considered? Would consideration stretch as far as, for example, direct or indirect support for tourism? In your view, are not such AID activities difficult to justify as consistent with BHN?

Answer. There is adequate legal authority in the Foreign Assistance Act to utilize development assistance and economic support funds to implement the congressional intent to include the private sector "to the maximum extent practicable" in carrying out the purposes of the Act. AID does not have the authority to take equity positions. Agency policy, consistent with the "New Directions" mandate, requires that private sector-related activities which receive funding must demonstrate, like other AID-funded projects, that they contribute to achieving developmental objectives consistent with the basic human needs mandate.

In response to this clear focus, the private sector initiative will emphasize projects and programs which generate employment, transfer technology, increase foreign exchange earnings, develop management and technical expertise, and create local private capital markets. Such projects will enhance the ability of the local private sector to make contributions to the accomplishment of the "basic human needs" objectives by providing goods and services, jobs and skill upgrading while simultaneously decreasing reliance on externally provided foreign assistance. In our present view, such sectors as agribusiness, health, and medical services and products, industrial fabrication and production and such priorities as small and medium indigenous business development and non-traditional export promotion are areas of current attention.

While areas outside the agricultural sector are being supported, this in no way implies a diminution of emphasis on the BHN mandate. Such activities still must demonstrate how they contribute toward achieving those objectives. It is quite conceivable that a project which supports the BHN mandate might also provide indirect support to a sector not presently a focus of AID's activities—e.g., tourism. For example, we would not consider it inconsistent with BHN objectives to provide financing to a local packing shed operation which crated produce from farmers of limited resources for delivery to local hotels. Nor would we consider it inappropriate to provide skills training to the unemployed if there were opportunities related to the tourism industry. The objectives in both examples are quite consistent with the BHN mandate in spite of its indirect support of tourism.

Question. I understand there is confusion between AID's geographic bureaus and the PRE Bureau as to which has responsibility for developing private sector activities. Does this confusion reflect any disenchantment with the private sector initiative on the part of AID professionals?

Answer. We have not perceived any disenchantment on the part of AID professionals with regard to the private enterprise initiative. Indeed, quite the opposite is true.

Regional bureaus and AID country missions have responded favorably to the new emphasis and have demonstrated an eagerness to learn how to identify opportunities to integrate the philosophy of private enterprise in their respective country programs and projects. The new initiative is applied Agency-wide and regional bureaus/country missions are responsible for developing private enterprise strategies. The Bureau for Private Enterprise (PRE) was established to serve as a laboratory for the Agency in experimenting with innovative project and program ideas designed to generate economic development and growth in developing nations through stimulation and expansion of private business. Those experiments which prove to be highly successful may then be replicated by the individual country missions. In this regard, PRE's efforts are highly supportive of the regional bureau and country mission program activities.

Question. Does AID intend on proposing mixed credit programs? Do you believe that, aside from certain rare instances such as in Egypt, this is an appropriate development activity?

Answer. AID has recently issued a statement of its policy on mixed credits. We oppose in principle the use of concessional funds as part of a mixed credit solely to promote exports. We recognize, however, that other donors continue to utilize mixed credits. As a result, consideration may be given in individual cases to the use of ESF funds for mixed credits as a defensive response to mixed credit offers by other countries. Development Assistance funds can not be used for mixed credit financing. A specific set of guidelines governing such consideration was incorporated as part of the AID mixed credit policy. At this time, we do not anticipate any significant use of ESF funds for mixed credits. However, we recognize the potential developmental value of co-financing and parallel financing approaches used by the World Bank and others. We will continue to examine such approaches to delivering economic assistance in pursuit of development objectives.

Question. Do you generally accept the concept of growth with equity? How would you define the term in the context of our bilateral development assistance program?

Answer. Of course, I accept the concept of growth with equity. The concept of broadly-based growth is central to our bilateral development assistance program. It entails a pattern of economic growth characterized by widespread and significant increases in both production and productive employment, as opposed to a pattern of economic growth concentrated in only a few sectors, with limited impact on employment. In more concrete terms, the concept calls for significant growth in agricultural output and incomes and in labor-intensive non-agricultural production activities in order to ensure the broadest possible distribution of economic benefits in the areas of greatest need.

Question. Some critics have charged that A.I.D.'s private sector initiative is simply an overseas application of Reaganomics, which have so far proved unsuccessful here. How do you respond to such criticism?

Answer. I believe it is inappropriate to draw overly detailed comparisons between the highly sophisticated and complex economy of the U.S. and the economies of the developing countries in which A.I.D. has programs. The private enterprise initiative, a major new thrust for the Agency, represents one of several important tools which A.I.D. utilizes in promoting economic growth and development in LDCs. One only has to review the experience of the past 15 years to realize that a majority of the countries which have experienced the most rapid economic growth and development are the ones which promoted development in a climate conducive to positive private investment decisions—e.g., Korea, Taiwan, Brazil among others.

Neither do I agree that Reaganomics has so far proved unsuccessful here. Falling interest rates and a rising stock market are but two indicators of an economy that is slowly, but surely on the mend.

Question. In the recent past, this Administration has attempted to use food as a political weapon. Do you favor cutting off humanitarian food assistance to countries which do not share our political views?

Answer. This Administration has not attempted to use food as a political weapon, unsubstantiated charges to the contrary notwithstanding. This Administration administers Public Law 480 Title II as a people-to-people program to provide assistance directly to malnourished and starving people. In addition, the Public Law 480 Title II program is our principal humanitarian response to disaster and refugee relief. Our records indicate that we have responded positively whenever bona-fide requests for emergency food assistance have come to us. I have supported this policy when we can be confident that the food assistance will reach people in need.

Question. Does the Administration intend on continuing its support of private sector activities in Nicaragua? What do you envisage the magnitude of this assistance will be in fiscal year 1983?

Answer. The Administration has provided $5.1 million in fiscal year 1982 Economic Support Funds for support of private sector activities. Of this amount, $748,000 has been disbursed; the balance will be disbursed following clarification of the Government of Nicaragua position to allow AID-financed private sector activities to proceed.

We have not budgeted any additional funds for Nicaragua in fiscal year 1983. However, upon clarification of the GON position, we will continue to look for constructive ways to support the private sector in Nicaragua, with advance notice to the Congress of specific activities and funding levels as opportunities arise.

Question. I am not aware of any countries which have been denied assistance on human rights grounds. Surely the record on human rights of some of our aid recipients is far from sterling. Does the Administration take the statutory mandate on human rights seriously enough to at least consider reduction of aid levels to human rights violators? Under what circumstances would you favor an aid cut-off on human rights grounds?

Answer. The Administration is quite serious in implementing the statutory mandate on human rights. There is close coordination between the State Department and AID in the context of a long established procedure for reviewing AID programs to ensure conformance with legislation on human rights. Such deliberations include consideration of country programs and human rights concerns in the context of broad U.S. interests. Naturally, situations in specific countries will vary and thus affect decisions on aid levels and other aspects of U.S. policy. If a determination is made that a country has engaged in gross and consistent violation of human rights, we would provide assistance only if it would directly benefit needy people. A system involving State and AID exists to review such situations and to make determinations on AID programs.

Question. I get the impression that ESF funds are increasingly being used to address short-term political objectives. This is reflected in a considerable number of commodity import and cash transfer projects. Do you agree with this approach? Do you believe that this trend will continue? Isn't this contrary to Mr. McPherson's stated emphasis away from resource transfers?

Answer. I do not believe that ESF funds are being used to address short-term political objectives. I believe, rather, that they are related more to important long-term U.S. interests.

As the committee knows, AID has a very strong development perspective regarding the use of ESF funds. In AID's role of administering ESF, we use these funds to the maximum extent practicable to meet the same economic and development considerations which apply to Development Assistance. We try to tie assistance to policy reform as appropriate. We are concerned in AID to use this resource in a manner as closely related as possible to basic development needs within a country. The global economic environment which now exists and the serious financial conditions most ESF recipients now confront mean that in some cases short-term, fast disbursing assistance is justified to meet a critical economic situation and/or in conjunction with desired policy reforms. We have to look at each case on its merits and in terms of what are basic U.S. objectives in this situation. No generalized formula can be applied too literally in each case given today's complex world.

Question. What efforts have you been making, if any, to move the State Department away from this short-sighted approach?

Answer. As I have said, I do not agree with the premise that there has been an increased emphasis on narrow, short-term objectives as such. The State Department views ESF as a flexible tool to address a variety of objectives, including economic development. We agree with the use of ESF funds to address specific and immediate critical requirements such as cases where it can be shown that our development-oriented projects are unable to move forward without sufficient domestic budgetary support.

We discuss these matters fully with the State Department during the formulation of an integrated foreign assistance budget. There are often strong differences which emerge, but we attempt to reconcile them to come up with an ESF program which best meets overall U.S. foreign policy objectives. That means weighing both economic/development and political considerations. AID's business is development and it is from that perspective that we contribute to the establishment of the budget.

Question. Do you anticipate that AID's legislative proposals for fiscal year 1984 will request substantial changes in the structure of the FAA, such as elimination of the functional accounts?

Answer. We are now in the process of soliciting suggestions from our bureaus and field missions for legislative recommendations for fiscal year 1984. No preliminary review of these proposals has been made. We recognize that there may be some management benefit to consolidating the functional accounts into a single account. Some discussion of this approach has already been undertaken with the Congress at the staff level. At the present time, no final decision has been made on recommendations for fiscal year 1984.

Question. Given the considerable agreement among development experts that development is being limited by rapid population growth, do you expect AID funds directed to population planning to increase? Is there any discussion within AID to reduce or simply straight-line the population account in the fiscal year 1984 request? What are your views on this issue?

Answer. Population assistance is an essential element of the U.S. development assistance strategy, and this Administration has reaffirmed a 20-year U.S. commitment to voluntary family planning efforts. The budget for population assistance was authorized at $211 million for both 1982 and 1983. As for fiscal year 1984, we have no reason to believe that the population assistance budget will be shortchanged in favor of other accounts.

Question. Do you anticipate significant shifts in country allocations of development in fiscal 1983 and 1984 as compared with prior years? If so, please identify.

Answer. The Reagan Administration has made some change in the basis on which it makes country allocations. For example, we place more emphasis on directing U.S. foreign assistance resources to those countries which are of importance to overall U.S. foreign policy objectives. We also are giving greater attention to those which give evidence of a favorable policy environment for self-sustaining development. However, compared to the first two years of this Administration, and to the period immediately before that, I do not expect there to be significant changes in country allocations during fiscal 1983 and 1984.

Question. The concept of a planned economy is unpopular in this Administration. Yet some degree of planning may be necessary in developing countries, given the limited resource base from which they work. Do you agree, and are countries being penalized in terms of levels of assistance because they are planned economies?

Answer. This Administration is not opposed to planning, per se, but to over-planning, and over-centralization of economic decisionmaking. We believe that economic efficiency requires decentralized, market-oriented approaches to the allocation of resources. However, we would not deny the need for government to carefully plan its own expenditures, both recurrent and capital, so as to ensure that development priorities are followed. We also recognize the need for a government to project resource availabilities and scarcities in order to develop macro-economic policies that encourage growth and avoid inflation or recession.

We do object to planned economies that attempt to allocate all productive investments, fix prices, and directly manage a broad range of productive enterprises. We are not reallocating assistance to penalize those countries which engage in economic planning. We will, however, attempt to have sound economic policies, and reduce assistance to countries which follow economic policies that lead to stagnation. Thus, we hope to ensure that our assistance is being used effectively. If we were not to do so we could legitimately be accused of waste of scarce public resources.

Question. Why is AID reducing the amount of its education funds allocated to primary education projects? Do you agree with the mix which emphasizes higher education at the expense of basic primary education recognizing, of course, that both are important to development? What is the rationale for such a de-emphasis on primary education?

Answer. AID's education policy does not emphasize higher education at the expense of basic primary education. Indeed, AID's Administrator has frequently stressed the importance of human resources development at all levels.

AID's objectives in the area of education and human resources development are three:

To improve the access of children to basic education, through improvements in the efficiency, quality, and relevance of primary schooling systems.

To increase the availability of vocational and technical training that is related to employment and improving economic productivity.

To improve the management and technical capabilities of LDC institutions and development programs through technical and academic training for key staff.

There are, to be sure, constraints limiting AID's ability to bring about improvements in LDC education systems—namely, the sheer dimension of the problem and the magnitude of the resources needed to address it. While developing countries recognize the importance of investment in education, it is clear that it is becoming increasingly difficult for them to keep up—financially, logistically, and otherwise—with the growing demands on their education and training systems. Unless considerable progress can be made in improving the efficiency of primary and secondary schooling, vocational education and technical training, the goals of enabling most people to obtain at least a basic education and of meeting labor market demands for trained technicians will remain unattainable.

In assisting developing country efforts to improve their education and training systems in the years ahead, AID will focus its attention on increasing (1) the efficiency with which education resources are used, (2) the quantitative and qualitative outputs of education and training investments, and (3) the effectiveness of the education and training systems in supporting economic and social development objectives. This balanced approach to human resources development is the only one likely to achieve sustained economic and social development for the countries AID seeks to assist.

Question. Do you believe that the kind of land reform program being undertaken in El Salvador, where land owned by absentee and large landowners is being redistributed to those who actually work the land, is a policy AID should continue to foster and support?

Answer. In principle, AID is opposed to the expropriation of property without adequate compensation. AID will also not provide funds for land sale guarantees or direct purchase, preferring to provide any encouragement through financial and technical assistance to programs for land reform beneficiaries.

Our experience in El Salvador indicates that the El Salvador government did have a serious commitment to land reform. AID supported the redistribution of arable land to achieve several objectives, including putting idle or underutilized land into production, raising the returns to farmers by making them entrepreneurs rather than wage laborers, and increasing the level of investment in agriculture by providing incentives for that investment. AID is supporting these objectives by providing agricultural credit, technical assistance and training to land reform beneficiaries and government employees assigned to carry out the land reform.

Implementation of the land reform in El Salvador has been difficult. Further, it is unlikely that we will be able to confidently assess the results for many years. The overwhelming reason for these problems is the continued high level of violence in the country. Potential land reform beneficiaries have been displaced, credit and input flows have been disrupted, market access has been curtailed, and the normal cycle of production has been slowed by the discouragement and fear that pervades the rural peasantry. If the violence in El Salvador can be controlled, AID believes that its support will prove to be efficacious in improving rural productivity and employment in that country.

Question. Why was the decision made not to distribute Front Lines to the Congress?

Answer. A continuing criticism of the AID publications was that they were not informative enough for the development professional. The Office of Public Affairs conducted a readership survey of all three of its publications to identify the potential audience for a more targeted communications effort. The survey uncovered deficiencies in the direction of Front Lines and a striking similarity in Agenda and World Development Letter responses. The office then developed a publications plan that incorporated the results of the readership survey.

The new publications are organized as follows:

Front Lines.—This publication contains material suited to the work of development professionals at AID as well as items particular to AID staff alone. For example, communications to staff on how to fill out yearly personnel evaluations or how to use the OPA Speakers Kit. In short, all things that we can provide to the Aid professional to make them perform better in the field. For these reasons, Front Lines will only be distributed to AID personnel.

Horizons.—Many of the articles contained in Front Lines are relevant to the work done by Congress, contractor, private voluntary organizations and the development professional outside of AID. These articles are reprinted in Horizons. However, a great number of items that are well known to AID staff but unknown and therefore not readily recognized by individuals outside of the agency are covered. Media, international organizations, educators, university staff and other Third World professionals are provided an in-depth look at AID projects, personnel, and events. Congress is a welcome group of subscribers.

The response to both of the new publications has been outstanding. The response from development professionals to Horizons has confirmed all our expectations about a directed publication. The employee responses to Front Lines have been nothing short of phenomenal. We have established a communications link that the employees find informative and effective. They have begun to identify the new Front Lines with a rekindled spirit of "esprit de corps."

Question. What role have you played in the past in A.I.D.'s project approval process? Have you yourself, for example, approved or disapproved any project papers or reviewed project documentation? What has been your role, in fact, in project reviews? Please identify your specific role in such processes.

Answer. I have participated from time to time in individual project approval issues when either I was Acting Administrator in the

Administrator's absence or when specific issues arose with which the Administrator wished me involved. For example, when the Administrator was away, I approved the Maharashtra irrigation project, with a cost of $47 million after reviewing it and ensuring that the economic analysis was complete.

Question. Similarly, have you participated in the formulation of A.I.D. policy papers and field guidance on the implementation of A.I.D.'s program? What are some specific examples of your participation?

Answer. I have specifically participated in the formulation of A.I.D. policy papers regarding both PVO's and the private sector. I originated the review of PVO's that led to a new PVO policy. In the case of Private Enterprise, I participated in all discussions whether they involved the Senior Staff or the Administrator alone.

In addition, with regard to implementation, I was involved in all discussions with the Administrator concerning the degrees of delegation and redelegation that would be involved, the need for a biannual review of portfolios and the deobligation of all projects which were unworkable and unable to be reprogrammed under the new guidelines.

Question. Is there any truth to the charge that you have been involved at A.I.D. with the responsibility for removing those professionals whose political loyalties might be questioned? Have you been involved with the removal of career developmentalists who are committed to the BHN approach?

Answer. There is no truth to the charge that I have been involved with removing any professionals whose political loyalties might be questioned. To my knowledge, no such professionals have ever been removed. The only individuals removed for political grounds entered the Agency on political grounds. Neither have I been involved in removal of any career developmentalists committed to BHN. Once again, I am unaware of any such removals except in the case of two individuals who voluntarily resigned after announcing they were going to protest publicly a decision of the Administrator's. And in any event, that decision was mutually agreed upon by those individuals and the Administrator alone.

Question. How have you been involved in the budget preparation process for Fiscal 1983 and 1984?

Answer. Yes, I have been involved in the budget preparation process for Fiscal 1983 and 1984 but only with regard to certain country program levels in specific cases where broad policy issues were involved. I was not involved in detail in each and every country or sectoral activity.

Question. Given that the ESF budget far exceeds that for Development Assistance, is the State Department dictating country and program priorities for development as well as ESF assistance? Please describe your understanding of the respective decision-making roles for State and AID.

Answer. AID conducts its own development assistance budget reviews, which include ESF funds, as separate and distinct from State's security assistance budget review exercise. AID hosts a series of interagency meetings by region on development assistance to which the State Department is invited to participate and to provide its views. IDCA/AID submits its own development budgets to OMB.

At the same time, AID cooperates fully in State's integrated foreign assistance budget exercise. In this exercise, the Office of the Under Secretary for Security Assistance, Science and Technology Affairs has a coordination function—working closely with AID—as a total foreign assistance budget covering all accounts in development is prepared for submission to the Secretary for review and submission to OMB. The AID Administrator has a right to present his positions to the Secretary directly on issues which cannot be resolved during that process or in his capacity as the Acting Director of IDCA, he can go directly to the White House. AID has a responsibility to reflect development concerns and does not hesitate to voice its development views during the integrated budget formulation process. We and the State Department work hard to develop a budget which justifiably reflects the Administration's foreign policy objectives. The result is the development of a mutually agreed upon agenda of country and program priorities not a dictate from either party to the other party.

Question. Over a year ago, a decision was promised on the disposition of IDCA. There has been no action since. When can we expect to see a decision on IDCA? Some critics have charged that the AID Administrator cannot legally serve concurrently as IDCA Director without the formal advice and consent of the Senate. What is your view?

Answer. As you observed in your question, discussions concerning the future of IDCA have been going on during the past year. Additionally consultations with committee staff have also been held. At this time, I do not know when a decision will be made or what will be the nature of that decision. I can assure you that we will be in close consultation with Members and staff on this subject. Legal counsel has advised that the AID Administrator may serve as Director of IDCA in an acting capacity while decisions regarding IDCA's future are being resolved.

Question. If the decision is made to abolish IDCA will AID be able to retain some independence from the State Department?

Answer. The IDCA Director is responsible, among other things, for establishing overall United States development assistance policy, coordinating international development activities supported by the United States, and preparing a comprehensive development assistance budget. These functions are carried out within the overall foreign policy guidance established by the Secretary of State. Since no decision on the future of IDCA has been reached, I believe it is premature to speculate on how IDCA authorities might be distributed or on how AID would relate to State as it continued to work within the Secretary's overall foreign policy guidance. The Congress will be closely consulted on any proposed change in AID's relationship with the State Department.

QUESTIONS BY SENATOR PELL

Question: In its fiscal year 1983 congressional presentation, A.I.D. indicated it was giving high priority to mobilizing greater involvement of the private sector in development. In recent months, however, there have been indications that A.I.D. has not moved very quickly in this area.

Please describe some of the activities undertaken in this area to date. How would you assess the efforts so far? What are A.I.D.'s plans for mobilizing the private sector in development efforts over the coming fiscal year?

Answer. The Agency's new private enterprise initiative is being implemented on two fronts. First, the high priority placed on the initiative has been communicated to all A.I.D. country missions. They have been given the mandate to identify and help develop appropriate private enterprise related projects to meet developmental objectives. Already Missions have begun to respond to this emphasis and projects have been and are being submitted for review by the respective regional bureaus.

In addition, a new bureau, the Bureau for Private Enterprise was established to serve as a laboratory in experimenting with new, private enterprise approaches to meeting development objectives. This Bureau has taken the lead in developing new relationships with the U.S. business community to determine how to utilize this existing expertise and transfer its knowledge and management skills to developing countries. It is also acting to support the Missions' efforts to integrate the private enterprise philosophy into their respective program.

This is an Agency-wide effort and throughout the regional and central bureaus, programs are being developed which (1) encourage an increasing policy-level dialogue with host country officials designed to improve the overall policy, legal, and regulatory environment for business investment; (2) assess management/vocational training needs and recommend appropriate A.I.D. assistance; and (3) identify attractive private investment opportunities and attempt to stimulate and support positive investment decisions.

While it is premature to assess the results of these efforts, it is clear that the Agency as a whole has begun seriously to review and examine the potential for incorporating the mechanism of for-profit business enterprises as one way of achieving developmental objectives. We expect these efforts to continue and become more focused in the coming fiscal year as the Agency as a whole becomes more familiar with the resources available through the private business communities—both U.S. and host country—and how to capitalize on them to meet A.I.D.'s objectives. A recently completed assessment of the Agency's private enterprise related project activities, using a rather strict definition of that term, indicated that A.I.D. funding for such projects will go from approximately $130 million in fiscal year 1982 to $160 million in fiscal year 1983.

Question. The Administration requested very little funding over the previous year's levels for bilateral development assistance for fiscal year 1983. Do you anticipate a continuing lid on development assistance, or does AID expect to ask for increases for some or all of the functional accounts in fiscal year 1984? If so, where, and for what purposes? If not, will tight budgets place any damaging constraints on AID programming?

Answer. Since we are just now completing the IDCA/AID budget submission to OMB, and no decisions have been made on the Administration's fiscal year 1984 request, I am not in a position to speculate on levels for the functional accounts in fiscal year 1984.

It is safe to say in general, however, that we will face tight budget constraints in fiscal year 1984 as a result of the President's continuing commitment to control the growth of Federal spending throughout the government.

We anticipate the budget that is eventually submitted to Congress will be a minimum level budget. Substantial reductions from that could adversely affect programming. But, in this period of overall budgetary restraint, we have to recognize funds are needed for many national priorities. We have to fit our program requirements into the broader budget perspective.

We have taken a number of steps to eliminate projects which are not proceeding according to plans. We will certainly take a close look at on-going and new projects next year and the fiscal year 1984 to see to it that our limited resources have the maximum impact in fostering development.

Question. Some have interpreted the private sector emphasis as a step away from the New Directions focus on basic human needs. Others maintain that private enterprise initiatives will not detract from a continuing focus on meeting basic human needs of the poor in developing countries. Do you view a private sector emphasis and a focus on basic human needs as complementary, or competitive, or a bit of both? How can private sector initiatives be structured so as to benefit the poor, especially in rural areas? Does AID intend to ask Congress for legislative changes to accommodate its private sector priority? If so, please specify.

Answer. AID has designed its private enterprise oriented activities explicitly to help those comprising the poor majority meet their basic human needs. AID's Private Enterprise Development Policy Paper reaffirms the Agency's commitment to the basic human needs thrust of the existing legislation.

In broad terms, recent data indicate that, where economic growth is rapid, the incidence of poverty almost always falls. AID's commitment to finding market solutions to development problems is based on the evidence that exercising private initiative best stimulates rapid economic growth.

In addition, it should be noted that allocations of resources through competitive markets are almost always more fair and more equitable than allocations made by governments. For example, non-market allocations of credit routinely discriminate against very small producers who have limited political connections.

In narrow terms, AID's private enterprise activities are concentrated in four priority areas: agriculture, agribusiness, small and medium scale industries, and privately operated service enterprises. Since these are labor intensive priority areas, AID's activities will generate many productive employment opportunities for the poor.

The Foreign Assistance Act explicitly recognizes the vital role of free enterprise in achieving development. AID currently is in the preliminary stages of reviewing proposed legislative changes for fiscal year 1984. The Agency will continue to consult closely with the Congress on these and related matters.

Question. Another recent U.S. policy theme has been the need for increased dialogue with aid recipient countries to encourage pricing and other government policies which would improve conditions for economic growth. To what extent has the U.S. been successful in convincing recipient, or potential recipient countries to change their policies? Please give examples.

Answer. The emphasis on the economic policy dialogue stems directly from our interest in fostering sustainable economic development of aid-recipient countries, and our belief that the major long-term influence on broad-based economic growth is indeed the soundness of their policies. It is therefore more a matter of working together with a recipient country's government than of pressuring it to undergo certain policy reform.

The use of U.S. assistance, insofar as possible and compatible with foreign policy goals other than economic development, to promote effective economic policies has already had a significant impact on the design of aid programs and of aid-assisted projects. While disagreements over the most effective development strategy are to be expected, the reaction thus far of aid recipients has been favorable whenever the policy advice has been presented in the knowledgeable and sympathetic manner required. At the same time, AID must be prepared not to finance projects if the policy climate is inappropriate.

Below are examples of projects which support appropriate host government policy changes:

A U.S. assisted fertilizer distribution and improvement project in Bangladesh permitted the government to transfer distribution to the private sector; it strengthened the government's technical ability to assess programs; and it induced the government to test the decontrol of fertilizer retail prices in one of the country's four regions;

The Rajasthan irrigation project in India is a positive example of collaboration involving, along with financial assistance for construction, significant improvements in the program, design, and management of irrigation projects at the state level;

The Public Law 480 Title III program in Senegal calls for administrative improvements in the regional development agencies, and encouragement of farmers' initiatives; an expansion of the function of rural cooperatives and greater responsibility at the village level; and a review of marketing and pricing policies in order to expand agricultural production and diversification.

Question. To what extent will future country allocations be contingent upon the responsiveness of governments to make policy changes considered necessary by the U.S.? Has aid been discontinued, or scaled back, to any countries because of their lack of responsiveness to suggested policy changes?

Answer. This Administration believes that one of the most important determinants of the successs of efforts to assist develpment in the LDCs is the conduciveness of the host country's policy environment to self sustaining economic growth.

While we provide assistance to accomplish a number of specific foreign policy objectives in any given country, one of our major emphases is the use of foreign assistance resources to help leverage positive policy change, where we can. In so doing, we are directing assistance to those countries which have shown potential for policy change or have already made such changes. Although we have not discontinued assistance solely on grounds of an unfavorable policy climate, such a factor definitely weighs in our decision to hold down allocations when they are expected to be relatively less productive in assisting development and providing help to those on greatest need.

Question. What factors are given the most weight in determining country allocations? Do you anticipate any significant changes in country allocations over the next two fiscal years?

Answer. The determination of country allocations for development assistance is based on multiple considerations, as you know. In its programming process the agency engages in an extensive review of individual country programs and resource requirements through the annual Country Development Strategy Statement and the subsequent Annual Budget Submission, both developed by the mission and reviewed extensively in AID/Washington. Among the factors which we examine are the extent of a country's development needs, the likely level and type of assistance from other donors, both bilateral and multilateral, the capacity of the U.S. to contribute to the country's development needs, the extent to which the country's policy environment is favorable to sustainable development, and the immediate resource requirements within the long-term U.S. assistance strategy.

In addition, when formulating the overall foreign assistance budget, we weigh the relative importance of the individual countries to U.S. foreign policy objectives and we try to balance allocations under the various foreign assistance programs in terms of both country needs and our own objectives.

I do not anticipate any significant changes in the basis for our country allocations over the next two years.

Question. In his role as Acting Director of the U.S. International Development Cooperation Agency, the AID Administrator has responsibility for coordinating U.S. development policy. How does the Administrator exercise this responsibility with regard to programs for which other agencies or departments have lead responsibility such as trade or U.S. participation in the development programs of international organizations or of the multilateral development banks? Will you as his AID deputy be assisting him in any of his IDCA functions?

Answer. The AID Administrator exercises his responsibilities as the Acting Director of IDCA both through the formal coordinating activities established through IDCA as well as through more informal contact between AID staff and other agencies. Important decisions for example concerning MDBs are made by this Administration after inter-agency review and discussions, and IDCA/AID has played an active role in virtually all aspects of MDB activities.

We actively participated in the development of the Administration's policy statement "U.S. Participation in the Multilateral Development Banks in the 1980's", providing comments and alternative language, as well as attending meetings to resolve differences of view. The Acting IDCA Director participated in Budget Review Board discussions of MDB budgets, and IDCA representatives have been included in all of the nine MDB replenishment meetings held since this Administration took office. Further, IDCA has suggested candidates for Executive and alternate positions, regularly participates in meetings of the DCC Working Group on Multilateral Assistance (WGMA) which reviews MDB activities, and has taken steps to improve and expand the scope of the interagency review of MDB projects.

As the AID Deputy Administrator naturally I will be assisting the Acting IDCA Director in carrying out the many IDCA functions.

Question. What is the value of continuing IDCA in its present form and status?

Answer. Internal discussions within the Administration as well as informal consultations with Congressional staff have been and are continuing to take place regarding the future role of IDCA. I anticipate that this consultative process will continue. Given the complexities involved I cannot forecast how this process will evolve before a final resolution is reached.

It should be recalled that IDCA in the person of the IDCA Director has primary responsibility for establishing overall development policy and coordinating international development activities supported by the United States. Within the overall foreign policy guidance of the Secretary of State, the IDCA Director is responsible for preparing the annual development assistance budget.

Question. In fiscal year 1983, cuts were proposed in both the health and population accounts in favor of increased funding for private sector activities and science and technology. Are any similar shifts contemplated for fiscal year 1984? If so, for what purposes, and why?

Answer. As you know, it is premature to speculate on funding levels of the fiscal year 1984 budget at this time. We face several months of intense work with OMB and the White House before final decisions are made, and I cannot speculate on the outcome.

I will say that we continue to support and advocate effective and efficient programs in both the population and health sectors. Based on requests we've received from our field missions, I expect we will be proposing substantial programs in both. We also attach high priority to private sector activities and to science and technology activities. We believe they offer great potential for rapidly accelerating economic development in poor countries, are areas where the U.S. has special expertise, and have received too little attention in the past. We also expect to propose substantial programs in these areas in fiscal year 1984.

Question. A major issue in recent congressional debates on foreign aid has been the balance between security assistance, including military aid, and development assistance. The broader issue is the relationship between security and development. What are your thoughts on the relationship between security and development assistance in U.S. foreign policy?

Answer. The Administration's position with respect to the relationship of security and development assistance in meeting U.S. foreign policy objectives is straightforward. Security assistance contributes to peace and political stability; without these conditions, economic development cannot be fostered or even take place. The FAA recognizes that there are special economic, political or security conditions in the national interest of the U.S. which may require economic support for countries or in amounts which cannot be justified solely on the basis of Development Assistance criteria. However, to the maximum extent possible, AID is guided by the Development Assistance policy directions contained in the FAA in administering the Economic Support Fund. Our interest is in improving prospects for economic growth and the living conditions of poor people either through the provision of ESF or Development Assistance funds.

Question. Congress has now approved $350 million in Economic Support Fund aid in the fiscal year 1983 supplemental appropriations bill. Both the Senate Foreign Relations Committee and the House Foreign Affairs Committee have reported out CBI authorization bills which include requirements relating to the use of funds. The requirements include allocating specified amounts for private voluntary organizations and scholarships.

In the event an authorization bill is not adopted in this session of Congress, to what extent will AID consider itself bound by the requirements of the bills reported out by the authorizing committees? What plans does AID have to follow up the emergency infusion of aid provided by the CBI with longer-term bilateral and multilateral development aid for the countries of the Caribbean Basin and Central America?

Answer. In a letter of September 8 to Congressman Zablocki, Secretary Shultz indicated that, if an authorization bill for the supplemental is not adopted, the Administration would be guided by Section 203(a) through (e) of the House Foreign Affairs Committee bill which includes an allocation of $7.5 million for scholarships. Although further provision that not less than $10 million be used only by U.S. and indigenous non-profit organizations was not included in the House bill, AID has also tentatively allocated up to $10 million for this purpose and is requesting proposals for such use from the field. As part of our implementation of the CBI, we will be considering these proposals in the light of their contribution to the overall objectives of the CBI program.

In the future, we foresee the need for continuing larger infusions of bilateral balance-of-payments assistance through the Economic Support Fund. For fiscal year 1983, $326 million of ESF assistance was requested for the Caribbean Basin region. We are currently preparing our fiscal year 1984 budget request and thus cannot indicate at this time what our development requirements will be for the Caribbean region. We will continue to encourage increased flows of multilateral development assistance for the Caribbean Basin countries to help meet continuing needs.

Question. What do you consider will be your main responsibilities, if confirmed, as Deputy Administrator of A.I.D.? To what extent will you be involved in the operational side of A.I.D.'s overseas activities?

Answer. My main responsibilities, if confirmed, will be as set forth in the Delegation of Authority published in the Federal Register, i.e., to perform whatever tasks are assigned to me by the Administrator and to act as his alter-ego and chief operating officer, particularly in his absence.

Question. A.I.D.'s operating expenses have increased in recent years at a time when A.I.D.'s functional bilateral accounts have remained relatively constant. In fact, from fiscal year 1982 to fiscal year 1983, the functional accounts increased by a total of $3.1 million (to $1,298 million) while the request for A.I.D. operating expenses went up by $45 million (to $376 million).

What, in your view, is a reasonable balance between program and administrative funds?

Answer. I would first like to point out that A.I.D. is also responsible for administration of ESF programs, which have grown substantially in recent years. And we share management responsibility for Public Law 480, where we are attempting to enhance the developmental impact of U.S. food aid. So the ratio of program level to administrative costs is substantially higher than a simple comparison to the functional accounts suggests.

But I want to assure you I am committed to controlling administrative costs. A.I.D. carefully scrutinizes its operating expenses budget to ensure there is no waste of resources and overall levels are as low as possible. We are in the midst of a long range plan to reduce our staff, and are increasing the share of our program administered by private and voluntary organizations, U.S. universities, and others who can draw on their own resources to pay administrative costs. However, we also must confront rapid inflation in operating expenses in many developing countries, particularly in Africa.

Including the pipeline, I believe the current ratio of program to administrative costs is acceptable. Our goal, now and in the future, is to hold our administrative costs to the minimum necessary.

Question. If confirmed, you would move from your present position in A.I.D.'s recently created Bureau of External Relations to your new duties. Please describe the work you have been engaged in at A.I.D. to date. Do you have any observations on the nature of the constituency of support for foreign aid programs?

Answer. My work within External Relations has centered primarily in four main areas, in addition to staffing the offices of Public Affairs and Legislative Affairs. First, to work on the development of a coordinated plan for constituency relations, involving not only those two offices, but all Agency activities that relate to external constituencies. Secondly, to implement the Biden-Pell program and expand it after its successful inauguration.

Thirdly, to develop a coherent policy for the Communications Review Board (which thus far has resulted in the saving of over one million dollars), to oversee the design and dissemination of A.I.D.'s publications to make them more effective in reaching broader audiences. Fourthly, to develop a Congressional tracking system that will allow the Office of Legislative Affairs to respond more swiftly to Congressional concerns and to insure that the Congress is more fully informed than it has been in the past with regard to A.I.D.'s contractual activities overseas.

My main observations on the nature of constituency support for foreign aid programs is that they presently are rather narrowly based, although the potential for significant expansion exists. With any degree of diligence and persistence over the next few years, that expansion should be achievable.

Question. Do plans exist to abolish your present position as a confirmable post? If so, please explain.

Answer. Yes, the Administrator plans to abolish the present position as a Presidential Appointment as soon as I am confirmed in the Office of Deputy Administrator. That Assistant Administratorship will be conferred upon the Office of Legislative Affairs as has been suggested by some congressional staff.

The reason we are transferring the Assistant Administrator position stems from the fact that upon our entrance into office we perceived a need for the development for a more coordinated plan of communications with all external individuals and groups interested in A.I.D.'s activities. We feel we have now largely addressed that plan and any further coordination can be overseen by me in my capacity as Deputy Administrator.

Question. AID has recently made some awards under the Biden-Pell amendment to organizations involved in development. Please describe the kinds of activities AID is supporting and the results AID hopes for. Please submit for the record a complete list of recipients of Biden-Pell funds to date.

Answer. Through the Biden-Pell Amendment, AID is supporting activities of a variety of private and voluntary organizations which facilitate public discussion of hunger and other related development issues in the United States. These grants are funding activities that are designed to increase public awareness of the political, economic, technical and social factors relating to hunger and poverty. The target audiences represent individuals at the grassroots level and leadership groups who can be motivated to assume an active role in continuing development education efforts, as part of either new or continuing local community programs. The audiences to be reached include a broad cross section of the American public including women, minorities, co-op/credit union members, youth, media, and cover a wide geographic area.

A complete list of Biden-Pell recipients to date and the amount of each grant follows. A brief description of each grant is also attached.

Competitive grants

1. Advisory Committee on Overseas Cooperative Development (ACOCD), Washington, D.C. ($42,000).
2. Booker T. Washington Foundation, Washington, D.C. ($70,000).
3. Bread for the World Education Fund, Washington, D.C. ($75,000).
4. Credit Union National Association (CUNA), Washington, D.C. ($46,000).
5. International Nursing Services Association (INSA), Atlanta, Georgia ($69,000).
6. Michigan Partners of the Americas, East Lansing, Michigan ($24,000).
7. Minnesota International Center, Minneapolis, Minnesota ($48,000).
8. Overseas Education Fund, Washington, D.C. ($25,000).
9. Save the Children Federation, Westport, Connecticut ($85,817).
10. World Education, Inc., New York, New York ($41,922).
11. YMCA, Chicago, Illinois ($66,080).

Noncompetitive grants/contracts

1. Center for Responsive Governance, Washington, D.C. ($26,000).
2. Community Nutrition Institute, Washington, D.C. ($9,650).
3. Global Perspectives in Education, New York, New York ($36,893).
4. Goodwillie Group, Boston, Massachusetts ($100,000).
5. Impact on Hunger, New York, New York ($32,850).

DEVELOPMENT EDUCATION PROJECT GRANTS FISCAL YEAR 1982

ADVISORY COMMITTEE ON OVERSEAS COOPERATIVE DEVELOPMENT (ACOCD)

ACOCD is a private voluntary group of veteran cooperatives which serves as an advisory group on U.S. foreign assistance policy and programs representing 40,000 cooperatives. Through the National Rural Electric Cooperative Association (NRECA), an ACOCD member well-versed in the production of audio visual and media materials, ACOCD plans to reach a minimum of 100,000 of its cooperatives members in an effort to begin a dialogue on the problems and possible solutions relating to world hunger, malnutrition, and development needs.

Using their own personnel and facilities, the national, regional and local cooperatives can reach their membership through: annual meetings, regular and special meetings, training programs; seminars, conferences and camps for adult and youth leaders, special women's activities, magazines; books and pamphlets; mailings; visual educational materials and other instruments. The first year goal would be to reach a minimum of 100,000 cooperative members directly through a wide range of forums throughout the country. All cooperative groups hold annual meetings at the local level, regional meetings and large national yearly meetings.

Materials for the presentation will be prepared in the following separate formats: 1) a three screen six projector slide show for large groups such as the National Rural Electric Cooperative Association annual meeting at which there is an attendance of 12,000; 2) a two projector single screen slide show for small meetings, such as local cooperative annual meetings where attendance will run from several hundred to over a thousand; 3) a single projector slide show for small groups; 4) film strips for libraries, schools and other small groups (The use of this format not included in the goal of reaching 100,000); and 5) educational printed material for discussion purposes to accompany visual presentations where appropriate.

BOOKER T. WASHINGTON FOUNDATION

"Dialogue on Development" is a public information and education program aimed at increasing the understanding by American Blacks and other minorities of the economic, technical, social and political factors relating to hunger and proverty in the Third World. The Dialogue Program seeks to create an environment wherein resources can be identified and mobilized to involve U.S. racial minorities in collaborative programs of linked development which results in tangible economic benefits to less developed communities in the Third World. Dialogue is designed to achieve these ends through the following specific objectives: 1) to develop a cohesive body of information, on the subject of development; 2) to educate and inform Black business persons, leaders of organizations of Black professionals and Black educators concerning current development theories, activities, opportunities, and constraints in the field of development; and 3) to encourage international cooperation in the sharing of development-related research, information, technology, methods, and proven strategies.

In the first year, "Dialogue" will be comprised primarily of: four Washington Briefings, workshops at ten national conventions of major Black organizations, and the publication of development education materials in ten newsletters or journals of major national Black organizations.

BREAD FOR THE WORLD EDUCATION FUND

The "Outreach on Hunger" Project will recruit and train approximately 4,000 grassroots leaders over a three-year period to conduct hunger and development education events nationwide in local communities—in churches, on college campuses, and in civic settings. Working on a volunteer basis, these leaders will, within one year of their recruitment and training, seek to engage a minimum of 125 persons each in dialogue on hunger and development issues—a total over the life of the project of about one-half million U.S. citizens. While their target audience will initially be persons in the religious community, they will seek to have significant impact upon the communications, educational, political, and business communities in the process.

Recruitment will take place through the churches—Catholic, Protestant, and Evangelical—and through existing networks such as that of Bread for the World. Training will be provided by Bread for the World Educational Fund through a series of ten weekend seminars conducted across the nation in the first grant year. The seminars will offer training both in pertinent content areas and in communication skills.

Volunteer leaders will be developed, supported, and provided with additional resources and educational opportunities by agencies of their churches and by Bread for the World Educational Fund, thus assuring their integration into sustained, long-term hunger and development education programs beyond the life of the project.

CREDIT UNION NATIONAL ASSOCIATION (CUNA)

The purpose of this project is to greatly expand within the U.S. credit union movement understanding and support for the ways in which the principles of their credit unions have helped many others around the world to improve their lives, their communities and their nations. It will educate people to recognize that development is important to world peace and stability; it will use illustrations to demonstrate that development efforts have had positive results and that future efforts are necessary to build on that success.

The program will capitalize on the credit union network that links the Credit Union National Association (CUNA) and its affiliated service organizations through State Leagues and District Chapters to more than 20,000 credit unions and 45 million members and their communities. This network permits the message of development to be passed through group meetings and movement media to large numbers at low cost.

The organization that will play the major role in the project is the National Credit Union Youth Involvement Board (NCUYIB), a group sponsored by the CUNA Mutual Insurance group and CUNA. The Board works through a network of volunteers and carries the message of credit union philosophy and participation to members, their families, and, through schools, to the children of many communities.

The project will be carried out through the personal contact Youth Involvement Board volunteers have with State Leagues, chapters and credit unions; through use of the publications of the NCUYIB and their supporting organizations, CUNA and CUNA Mutual; and through the classroom involvement stimulated by the Youth Involvement Board's work with state educational associations.

It is estimated that 30 to 40 Youth Involvement Board Volunteers will receive training in effectively promoting the theme of the program and that they will personally reach groups totalling 17,500. This group will in turn be motivated to take the message to 5,000 credit unions and 4 million credit union members through participation in annual meetings and credit union newsletters.

The theme will also receive support from four national movement publications with a total circulation of 110,000 reaching virtually every credit union in the United States and be incorporated into classroom materials and presentations that will ultimately reach 1.5 million students.

INTERNATIONAL NURSING SERVICES ASSOCIATION (INSA)

INSA, in cooperation with Emory University, Department of Gynecology and Obstetrics, will implement a development education project designed to target an initial, primary target group composed of representatives from transnational corporations with national headquarters or regional offices in the Atlanta area and international subsidiaries. Corporations with distinct interests in international business and no international subsidiaries will also be included. The second target group will be foreign professionals who have relocated to the United States or are attending continuing education programs in the Atlanta area before returning to their homes and jobs in developing countries.

With the award of a Development Education Project Grant, INSA will facilitate planning sessions with a) the corporations b) foreign professionals, and c) the two groups combined to identify ways in which they can have a positive influence on the problems of world hunger and poverty. INSA will then assist these target groups to identify, design, and implement projects aimed at counteracting the course of hunger and poverty.

MICHIGAN PARTNERS OF THE ALLIANCE

This project will seek to (1) strengthen the capability of community groups in Michigan to provide educational activities focusing on the interrelationships between hunger, poverty, and food production, distribution and consumption patterns in the U.S. and developing countries and (2) involve at least 2,000 adults and 500 young people in active discussion of these issues. A variety of educational activities will be planned and implemented by development education task forces in twelve Michigan counties. In four of the counties, Michigan Partners members, Cooperative Extension county agents, and interested community members will plan and conduct educational activities and develop materials that can be disseminated to other Michigan community groups on request. Task forces in eight additional counties will receive funding to plan activities or a series of activities during the project year. Training and support for the county task forces will be provided through an on-campus workshop on hunger and poverty, in-country planning and materials development workshops, and the advisory services of project staff and MSU Extension personnel. Materials developed as part of the project will be distributed through Michigan Partners and the MSU Cooperative Extension Service.

MINNESOTA INTERNATIONAL CENTER

This Development Education project, the Minnesota Awareness Project (MAP), will integrate the unique resources of the Minnesota International Center (MIC) and the University of Minnesota's International Student Adviser's Office (ISAO) for the purpose of increasing public discussion and awareness of world hunger and related issues throughout the State of Minnesota. Specifically, MAP will provide assistance to MIC affiliates in twenty Minnesota communities in the first grant year for specialized training in development education and implementation of community development education programs.

MAP's thrust will be to provide community leaders with new forms of expertise in 1) identifying and utilizing previously untapped human resources such as returned Peace Corps volunteers and foreign students in community development education programs; 2) implementing a variety of educational approaches to facilitate public discussion of world hunger and poverty; 3) providing understanding of cognitive, perceptual and attitudinal barriers which make it difficult for Americans to relate to conditions of poverty and development; 4) providing the local communities with leadership skills in these areas; 5) exploring new patterns of cooperation which would not threaten existing organizations, and would not require establishment of new structures; 6) placing issues of hunger and development into perspective by showing what people of developing countries are doing for themselves, and what others in the developed countries are doing to contribute to such development; 7) expanding the development education capacity of community leaders with international interests; and 8) promoting direct people-to-people development education programs which will link previously unrelated human resources to each other.

OVERSEAS EDUCATION FUND

The Overseas Education Fund proposes a three-year participatory development education project on the theme: "Womem and World Hunger: The Role of Women in Food Production." The goals of the project are: 1) Increased awareness among the membership of targeted organizations in nine cities of the United States regarding the problems of world hunger and the role of women in food production; 2) development of an education program on world hunger and women for use by the target groups and their memberships, as well as other community groups; and, 3) participation and collaboration of private organizations and individuals in designing and supporting post-project action programs for world hunger and women.

The project will take place in three cities in the first year (Los Angeles, Santa Barbara, and San Diego), with various organizations targeted in each city. The project has two target groups: 1) the leaders and members of business and professional women's associations; and, 2) the leaders and members of broad-based women's organizations.

In each city, leaders of the target groups will participate in planning a workshop on this theme, using a handbook previously developed by OEF in connection with its successful development education program on "Women in World Issues," with a supplemental guide to the theme of the role of women in food production and the topic of world hunger in general. This participatory model will guarantee that the general theme is relevant to each specific audience.

SAVE THE CHILDREN (STC)

Save the Children will develop, in collaboration with the Horace Mann-Lincoln Institute of Teachers College, Columbia University, a multi-media development education display entitled "The Future Is Yours." The display, directed at children aged seven and over, will be leased on a rotating basis to shopping centers, department stores and malls around the country.

The project will apply state-of-the-art learning principles to teach children about third world poverty and hunger. In addition to photo and narrative layouts, the display will consist of six activity stations, each comprised of two computer games, one continuous tape, slide and sound show, a music segment, a crafts activity, and a food-related activity (i.e., fruit drying). Through interactions with the display, children and their parents will learn about the experience life in a third world community.

Funding for the first year of the project will cover the design, construction, initial promotional costs and first six months of the display. After that, STC expects income from rental to shopping malls and centers to cover upkeep and shipping costs.

WORLD EDUCATION, INCORPORATED (WEI)

This project, referred to as "Convivencia" (Being Together), proposes the use of an intensive weekend as an experimental learning design focused on development education. The project will provide three intensive weekends each for up to fifty local leaders in three highly diverse locations: a) industrial workers in urban Detroit, b) church leaders in the mid-Atlantic region, and c) learning center coordinators from the free university network in rural Kansas.

Following each of the three first-round conferences (which will serve as training for these leaders), those who have been trained will replicate the same intensive weekend format with their own constituencies, reaching approximately 3,600 people.

In addition, each sponsoring group is part of a regional or national network. As the format proves successful, the local leaders will promote its adoption within the larger bodies to which they are related and will serve as trainers in subsequent cycles of the project.

YMCA OF THE UNITED STATES

The YMCA, through its International Division, will design and deliver International Education support services and program resource materials to local YMCA associations within the context of a corporate and International Division re-organization and decentralization plan aimed at increasing the local YMCA's operational involvement and personal (i.e., people-to-people), participation in the international development process. International Education will emphasize practical tools useful to the community YMCA and responsive to the development needs of their international program (i.e., *"Community Resource Inventory";* use of media, international program "planning process," etc.). National resource materials will complement and be blended with locally developed interpretation and communication materials. Training, technical support, and counseling in program development will be provided to assure quality and effectiveness of development programs and projects. In addition, internal and inter-agency coordination and referral will be developed to facilitate and encourage local connections with overseas YMCAs and collaboratory efforts with corresponding PVOs, service clubs, churches, companies, universities, etc.

Question. It is generally agreed that humanitarian relief aid should be provided to persons in need regardless of the political orientation of their government. The amount of U.S. relief aid to Nicaragua following recent heavy floods has been very little. Does the Administration plan to request any additional relief aid for Nicaragua? What guidelines does AID use to determine allocation of disaster relief funds?

Answer. The amount of U.S. relief aid to Nicaragua following recent heavy flooding caused by tropical storm "Alleta" during the period May 21 through 26 was fully consistent with emergency assistance provided to neighboring countries similarly affected. Nicaragua was not denied U.S. humanitarian relief aid. The total U.S. assistance provided Nicaragua (primarily in PL 480 commodites in country) was $271,000, including $25,000 in disaster assistance funds. In response to similar flooding, Panama received $137,000 in U.S. assistance and Honduras received $25,000. On balance, therefore, Nicaragua actually received more humanitarian assistance from the U.S. than its neighbors did during the same period of flooding. We are not at present considering any additional relief assistance to Nicaragua.

In determining the allocation of disaster relief funds, AID follows Policy Guidelines established in AID Handbook VIII and the authorizing legislation contained in Chapter 9 of the Foreign Assistance Act of 1961, as amended. In general, when a natural or manmade calamity strikes a foreign country, the U.S. Ambassador on the scene determines that a disaster has occurred; that U.S. government assistance is warranted because it is beyond the capacity of the affected country to respond effectively to the needs of victims; that the affected country desires U.S. assistance; and that it is in the best interest of the United States to respond. Actual amounts of assistance provided depend upon the extent of damage, amount of assistance provided from host country and other donor resources, and ultimately, availability of disaster funds appropriated by the Congress.

Question. In 1981, Congress approved a provision, originally offered by me, that requires a 12 percent floor for AID to channel funds through PVOs. That same legislation carries a clear legislative intent that a target of 16 percent be AID's goal for fiscal years 1982–1983. Please provide this Committee with the specific amounts of funds, and the percentages they represent, for the past five fiscal years (including fiscal 1982), AID has provided PVOs.

Answer. For the past five fiscal years, AID has provided funds from the earmarked accounts to PVOs, as follows:

Fiscal year—	PVO	Total program	Percent program	Total grant	Percent grant
Fiscal year 1978	147.9	1,085.1	13.6	699.0	21.2
Fiscal year 1979	188.6	1,242.3	15.2	829.7	22.7
Fiscal year 1980	170.4	1,264.2	13.5	828.1	20.6
Fiscal year 1981	175.5	1,320.3	13.3	933.3	18.8
Fiscal year 1982 (estimate)	188.1	1,415.9	13.3	1,095.6	17.2

Question. Given the fact that AID has acknowledged a percentage decline in the funds it channels to and through PVO's, is not AID in violation of Congressional intent in this regard? What steps is the agency taking to reverse this trend away from PVO's?

Answer. AID shares the interest of Congress to increasingly involve PVOs in international development. In the last decade, AID support for PVO-administered programs has increased four fold from less than $50 million in fiscal year 1973 to nearly $209 million in fiscal year 1982 (of which $188 million is in the earmarked accounts).

In actual fact, a previously anticipated percentage decline has not occurred. In the past three fiscal years between 13 and 14 percent of AID's Development Assistance program (DA)[1] was channeled through programs administered by PVOs. In fiscal year 1982 we estimate that the PVO-administered program will remain in this range (13.8 percent). This represents an upward revision of earlier calculations based upon new project data for fiscal year 1983.

---

[1] The development assistance accounts earmarked in the International Security and Development Cooperation Act of 1981 (Public Law 97–113) are the five functional accounts, the Worldwide Disaster Assistance Account, and the Sahel Development Program. The earmark does not include the American Schools and Hospitals Abroad Program.

AID has met the legislative requirement to channel at least 12 percent of the DA program through PVOs and we hope to continue to exceed that level and to increase it. At the same time we are concerned with the problem of creating overdependence on U.S. Government funding on the part of some PVOs.

Equally important as increasing PVO-administered development programs is maintaining their independence of action and private sector base. Overdependence on U.S. Government funding threatens to destroy these two valuable characteristics of PVOs. Also, Congress should be aware that, since PVOs do not accept loan funds, they will actually be administering almost 19 percent of all grant funds in the DA account for fiscal year 1983.

Question. What are your views concerning the role and importance of PVOs in our foreign assistance efforts? What steps would you recommend be taken to strengthen this role?

Answer. U.S. PVOs have been active in overseas humanitarian work for over a century and in the past twenty years have increasingly devoted their energies to development in the Third World. Their programs embody the traditional humanitarian ideals of the American people and support important objectives of U.S. foreign policy. PVOs are valued partners in our foreign assistance program, both as intermediaries in conducting AID's programs and as independent entities in their own right. AID has designed programs which support PVOs in both capacities.

PVOs bring unique capabilities to the development partnership with AID. Links with private institutions in the Third World, flexibility and the ability to innovate enable them to mount people-to-people and self-help development initiatives which involve low-income people in the process of change. At the same time, through their support in the U.S., they can bring about broader awareness of the pressing needs of developing countries and generate substantial private resources for international development.

AID has just completed a major effort to develop a new statement of policy on its relationships with PVOs, which has already been discussed. Among the steps being taken to strengthen the PVO role are increasing emphasis on support for their field-oriented programs, simplification of the grant process, and greater involvement of the PVOs in AID's country development strategy and budgeting processes. I believe that implementation of this new policy will do much to strengthen our relationship and provide for an effective and consistent partnership.

AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., September 28, 1982.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed are my responses to the additional questions you received on September 27 from Senator Zorinsky relating to my nomination to fill the position of Deputy Administrator of the Agency for International Development.

I hope you will find the information contained in the enclosed responses to be helpful in your deliberations.

Sincerely,

Jay F. Morris,
Deputy Administrator-Designate.

Enclosed.

Question. In citing your accomplishments as the Assistant Administrator of AID, you mentioned a $1 million savings accrued from the development of a "coherent policy" for the Communications Review Board. Please detail the specific elements of the $1 million total savings, and their individual dollar savings, for which you claim credit.

Answer. I have attached a working matrix from our Communications Review Board files. It details the $1,460,680.00 in savings the Board accomplished through my tenure as its Chairman.

COMMUNICATION REVIEW BOARD

MATRIX

Office/Bureau	Title	CRB action	Date	Cost savings	Total cost	Fund
AFR	Progress Report: Office of Development Assistance—USAID/Ghana	Disapproved	Apr. 1, 1982	$1,300		0
AFR	LES Consommations de Combustibles	Approved	May 19, 1982		$750	0
	Subtotal			1,300	750	
ASIA	Impact of Public Law 480 Title II in the Philippines					
FVA/PVO	A PVO's Guide to AID					
FVA/PVO	Conference Report AID/PVO	Approved	Aug. 25, 1981		1,075	0
FVA/PVO	Fact Sheet AID/PVO Grants	do	do		2,200	0
FVA/PVO	Reference Brochure on Advisory Committee on Voluntary Foreign Aid	do	do		125	0
FVA/PVO	Pamphlet on PVO Matching Grant Funds	do	do		250	0
FVA/PVO	Newsletter	Disapproved	do	500		0
FVA/PVO	Understanding Our Role in a Changing World	do	do	1,000		0
		do	do	725		0
	Subtotal			2,225	3,650	
IG	Semi-Annual Report of the Inspector General	Approved	Jan. 11, 1982		250	0
IG	Semi-Annual Audit Recommendations	do	do		250	0
	Subtotal				500	
LAC	Intercom	Approved	May 19, 1982		50,000	0
LAC	LAC Research, Evaluation and Development Notes					
OFDA	Coping with Disaster	Disapproved	May 4, 1982	8,000	500	0
	Subtotal			8,000	9,625	
OPA	Agenda	Disapproved	Mar. 19, 1982	93,000		0
OPA	Challenge	Approved	Sept. 22, 1981		4,000	0
OPA	World Development Letter	Disapproved	Mar. 19, 1982	29,000		0
OPA	Front Lines (old)	do	do	81,000		0
OPA	Front Lines (new)	Approved	do		115,181	0
OPA	Horizons	do	do		115,120	0
OPA	Who to Call for Press Assistance on Third World Development	do	May 11, 1982		585	0
	Subtotal			203,000	234,886	

COMMUNICATION REVIEW BOARD—Continued

Office/Bureau	Title	CRB action	Date	Cost savings	Total cost	Fund
PPC/PDPR	Development Digest	Approved	Jan. 6, 1982	92,000	100,000	P
	Subtotal			92,000	100,000	
PPC/WID	Women Headed Households	Approved	Sept. 13, 1981		935	0
PPC/WID	Brochure on WID Office & Programs	do	April 5, 1982		500	0
PPC/WID	A Pocket Guide to WID Resources in the U.S	do	do		500	0
PPC/WID	Women in Development Specialist A Roster of Available Consultants	do	do		8,300	0
PPC/WID	Invisible Farmers: Women and the Crisis in Agriculture	do	do		3,750	0
PPC/WID	Women in Mauritania	do	do		1,600	0
PRE/SDB	Export Opportunies	do	July 15, 1981		64,000	0
	Subtotal				64,000	
SCI	Office of the Science Advisor	Approved	Aug. 27, 1981		150	0
SCI	Submitting Proposals to the AID/SCI Program of Science and Technology	do	do		150	0
	Subtotal				300	
S&T/POP	Asian and Pacific Census Form	Approved	Sept. 25, 1981		4,400	P
S&T/POP	Audience Research for Social Development		do		2,000	0
S&T/POP	Breast-feeding in the Developing World	Disapproved	do	2,000		0
S&T/POP	Communique	do	Oct. 11, 1981	2,600		0
S&T/POP	Contraceptive Education	do	Oct. 21, 1981		2,000	0
S&T/POP	Contraceptive Technology—Africa	do	do		2,000	0
S&T/POP	Family Planning Resume	do	do	2,500		0
S&T/POP	Fertility and the Status of Women (wall chart)	do	Nov. 3, 1981	20,000		P
S&T/POP	F.P. Service Statistics (annual)	do	do	2,000		0
S&T/POP	International Family Planning Perspective	Approved	Dec. 30, 1981	125,000	333,000	P
S&T/POP	International Journal of Gynecology & Obstetrics	do	Nov. 2, 1981	100,000	57,000	P
S&T/POP	IPAVS	Disapproved	Nov. 3, 1981	18,000		P
S&T/POP	JHIEGO Newsletter	Approved	Dec. 20, 1981	7,500		P
S&T/POP	Logistics Guidelines	Disapproved	Oct. 21, 1981	2,000		0
S&T/POP	Media Monograph 7 (Audience Research for Improving Family Planning Communications)				2,000	0
S&T/POP	Media Monograph 8 (Planning Organizing and Administration of Social Development Community Programs)	Approved	Nov. 3, 1981		2,000	0

COMMUNICATION REVIEW BOARD—Continued

Office/Bureau	Title	CRB action	Date	Cost savings	Total cost	Fund
S&T/POP	Media Monograph 9 (Person-to-Person Communication for Social Development	do	do		$2,000	O
S&T/POP	Media Monograph 10 (Communication Research for Social Development Programs)	do	do		2,000	O
S&T/POP	Network (leverage AID funds)	do	do	$8,000	15,000	P
S&T/POP	Patterns of Contraceptive Use Around the World	Disapproved	do	3,100		O
S&T/POP	Population and Social Development Communication Newsletter	do	Oct. 21, 1981	9,533		O
S&T/POP	Population Bulletin	do	do	55,000		P
S&T/POP	Population Dynamics of the World (wall chart)	do	do	12,000		O
S&T/POP	Population Reports	Approved	Nov. 3, 1981	300,000	1,000,000	P
S&T/POP	Population Textbook Vol. I		Oct. 21, 1981		2,000	O
S&T/POP	Research Frontiers in Fertility Regulation	do	Dec. 30, 1981		17,400	O
S&T/POP	Social Marketing Update	do	Nov. 30, 1981	16,000	15,000	P
S&T/POP	Textbook for Family Planning Fieldworkers		Oct. 21, 1981		12,000	O
S&T/POP	The Link	Disapproved	Nov. 3, 1981	50,000		O
S&T/POP	World Demographic Patterns (wall chart)	do	do	12,000		O
S&T/POP	World Fertility, Mortality and Population Growth Chart	do	do	50,000		O
S&T/POP	World Population 1981 (Census Bureau)	do	do	16,000		O
S&T/POP	World Population Data Sheet	Approved	Sept. 25, 1981		15,392	O
S&T/POP	World Population Data Sheet—Spanish, French Arabic	Disapproved	do	5,392		O
	Subtotal			820,625	1,485,192	
S&T/AGR	Centrally Funded Agricultural Projects and Personnel Available to USAID Missions	do	Apr. 1, 1982	700		O
	Subtotal			700		
S&T/DIU	AID Publication Lists	do	Sept 29, 1981	3,300		O
S&T/DIU	AID Research and Development Abstracts (ARDA)	Approved	do		100,000	P
S&T/DIU	AID Resources Reports	do	Dec. 30, 1981		30,000	P
S&T/DIU	Annotated Bibliograhpy of Micro-Data sets				3,500	P
S&T/DIU	Application of Modern Technology to International Development (AMTID)	do	Sept. 29, 1981		170,000	P
S&T/DIU	Development Experience Review Series	Disapproved	Apr. 1, 1982	53,000		P
S&T/DIU	Directory of AID Indefinite Quantity Contracts (IQC's)	Approved	Sept. 15, 1981		28,000	P
S&T/DIU	Directory of Development Resources	do	do		70,000	P
S&T/DIU	Forestry Resources	Disapproved	Sept. 29, 1981	1,200		O
S&T/DIU	Technicians on Call for Development	do	Sept. 15, 1981	25,000		P
S&T/DIU	Water for the World	Approved	Sept 22, 1981		30,000	P
	Subtotal			54,500	428,000	

COMMUNICATION REVIEW BOARD—Continued

Office/Bureau	Title	CRB action	Date	Cost savings	Total cost	Fund
S&T/education	Uplink	Approved	Dec. 30, 1981	6,715	6,715	P
S&T/education	Development Communication Report	do	Oct. 15, 1981		82,000	P
S&T/education	The NFE Exchange	Disapproved	do	97,290		P
	Subtotal			104,005	88,715	
S&T/FNR	Natural Resources Technical Bulletin	Approved	Dec. 30, 1981		38,000	P
S&T/FNR	Agro-Forestation Systems Using Leucaena as Erosion Control Barriers (Indonesian Language)	do	Jan. 8, 1982		585	0
	Subtotal				38,585	
S&T/HEA	Salubritas	Disapproved	Jan. 8, 1982	120,540		P
	Subtotal			120,540		
S&T/N	Mothers and Children Bulletin	Approved	Jan. 8, 1982		21,000	P
S&T/N	League for International Food Education Newsletter	Disapproved	January 8, 1982	47,300		P
	Subtotal			47,300	21,000	
PPC/E	AID Evaluation Special Study Series	Approved	Oct. 1, 1981			0
PPC/E	AID Impact Evaluation Series	do	Oct. 1, 1981			0
PPC/E	Program Evaluation Report Series	do	Oct. 1, 1981			0
PPC/E	Evaluation Discussion Papers Series	do	Oct. 1, 1981			0
PPC/E	Manager's Guide to Data Collection	do	Jan. 8, 1982		2,000	0
DSP	An Integrated Social-Environmental Analysis of the Luangwa Valley in Zambia	Approved	May 11, 1982		5,366	0
DSP	A Comparative Study of Five European Development Assistance Programs	Disapproved	Apr. 5, 1982	8,425		0
	Subtotal			8,425	5,366	
PRE	Business America	Disapproved	Apr. 23, 1982	60		0
BIFAD	BIFAD Briefs	Approved	May 4, 1982		12,000	0

Question. In addition to the above policy, you mentioned implementation of Biden-Pell grants and a Congressional tracking system among your accomplishments at AID since April 1981.

Please provide specific details of your own personal involvement in implementing the Biden-Pell amendment.

Please describe how your involvement in this implementation was coordinated with Julia Chang Bloch.

Please describe in detail the Congressional tracking system you cite among your accomplishments, and elaborate on your own personal involvement in its design and implementation.

Answer. The Administrator assigned me responsibility for ensuring that the Biden-Pell grant program was properly organized and implemented. To carry out this responsibility, a Coordinating Committee was constituted, which I chaired as Assistant Administrator for External Relations, composed of representatives of the Bureau of Food for Peace and Voluntary Assistance, the Executive Director of the Advisory Committee on Voluntary Foreign Aid and the Director of the Office of Public Affairs. The Coordinating Committee has the responsibility for developing AID policy as it relates to the Development Education Program and ensuring compliance with the Congressional mandate. The Food for Peace and Voluntary Assistance Bureau, under Julia Chang Bloch, is responsible for the administration of the Development Education Program. Because of AID's strong interest in this new program, I have been kept fully apprised as the grant award process has been carried out.

The Congressional tracking system which I mentioned in response to the previous question regarding accomplishments is a modification of the system of records AID–22, entitled "Congressional Relations, Inquiries and Travel Records." The Congress was notified of this change in letters to the President of the Senate and the Speaker of the House dated June 2, 1982. I directed that this system be computerized in order to better track Congressional inquiries and to ensure that the Agency is responsive, in a timely manner, to Congressional concerns. It will also allow AID to keep track of these Congressional concerns and/or specific interests in order to keep the Members fully informed.

Question. In your response to the Committee, you stated "I do not favor a significant shift from DA to ESF as a method of hastening project design and implementation." But in some important AID countries, such as Egypt, Pakistan and Zimbabwe, ESF is the primary mode of eonomic assistance. Would you favor a shift from ESF to DA in such countries?

Answer. The rationale for providing ESF funding is linked closely to U.S. political and security concerns. As a result, ESF levels in countries such as Egypt, Pakistan, and Zimbabwe are determined by factors which go beyond the criteria used for allocating development assistance funds. While we program the ESF funds provided these countries for developmental purposes, the levels are larger than what we would normally establish if these countries were to receive development assistance funds exclusively. Given the limited availability of DA, I would not favor a shift to DA in these countries because we would not have enough funding to provide the levels necessary to meet U.S. foreign policy interests. If at some future date assistance levels were to drop, we could certainly consider providing DA funding instead of ESF.

Question. You failed to answer part of two questions put to you be the Committee: Do you favor the BHN approach to development that is mandated in current law?

Do you favor change in the "New Directions" legislation passed in 1973? If so, please specify.

Answer. I favor the BHN objectives as mandated by the Foreign Asistance Act. I know of no serious questioning of this goal within AID. At the same time, this Administration has questioned the interpretation of BHN which has led to projects which merely transfer resources to needy people without creating self-sustaining mechanisms so that benefits continue to flow once U.S. assistance is ended. In other words, the objectives are one thing; the mechanisms for achieving them, however, may, on occasion, be another. For this reason, we are emphasizing programs which address the need for appropriate policies, institutional development, technology transfer, and support for private initiatives. In designing projects within this framework, our objective is to meet the basic human needs of poor people in developing countries.

As for the second part of your question, I favor no change in the BHN thrust of the 1973 legislation. If in the months ahead AID comes forth with some proposed changes they will not affect that basic thrust. In brief, we have been able to work with legislation as now written because we believe that needy people should be truly helped by our program.

Question. Your figures indicate that AID currently channels 13.3 percent of its total program through PVO's. What steps have you taken and will you take to assure AID's compliance with the 16 percent target set by Congress in the 1981 foreign aid authorization legislation?

Answer. As provided in the recently adopted policy statement on AID/PVO relations, a substantial effort is underway to increase PVO participation as urged by statute. Consideration of the funding level for PVO activities will be integrated into the overall AID program budget process in order to ensure that funding allocations are consistent with Agency policy and legislation initiatives in this area. Grants made to PVO's from all AID bureaus will be included in this decision-making process and will be reviewed as follows:

(a) Include a PVO review as part of the CDSS process to tie PVO policy to each country's development strategy. Each Regional Bureau and PPC would consider the strategy and reasons for using or not using PVO's in each CDSS review.

(b) Include a PVO review as part of the ABS process to tie PVO policy to funding decisions. Initiate a functional review of the total PVO program, chaired by PPC, in which the total PVO funding level and the mix between regional and central PVO funding levels is decided.

We hope, by the utilization of these more encompassing mechanisms for involvement by PVO's, that the Agency can utilize their skills to the maximum extent possible. We intend to do all we can to be responsive to the Committee's expressed wishes conversant with our management responsibilities to utilize our scarce resources to achieve the greatest possible degree of sustainable development within the countries with which we are working.

Question. Your answer to Senator Glenn's question on private sector activities seems ambiguous.

What specific non-agricultural activities are currently under funding considerations?

Has AID's General Counsel provided a legal opinion on the compatibility of private sector projects in tourism and mining and current law?

Answer. The following are projects which are under consideration for financing in fiscal year 1983 and which are not primarily agriculturally oriented:

Bureau	Project	Amount
Philippines	Rural Enterprise	$15,500,000
Asia regional	Rural Enterprise	300,000
Ecuador	Private enterprise development	1,000,000
Guatemala	Private sector initiatives	200,000
Guyana	Private sector promotion	801,000
Haiti	Development foundation—OPG	1,000,000
Honduras	Private sector fund—OPG	500,000
Honduras	Small business financing	5,000,000
Jamaica	Small-scale manufacturing	9,600,000
Jamaica	Private sector investment	3,000,000
Panama	Private enterprise training	500,000
Panama	National investment council	425,000
Peru	Private sector training—OPG	1,000,000
Caribbean registry	Interisland shipping and marketing	10,181,000
ROCAP	Export promotion	1,000,000
ROCAP	Export promotion fund	10,000,000
Near East registry	Private enterprise activities	200,000
Africa registry	African development bank	3,000,000
Africa registry	Entrepreneurship promotion	1,600,000

The foregoing list comprises new projects not previously funded in prior years. It does not include projects funded with ESF funds (Pakistan and Egypt principally).

With respect to the second part of your question, AID's General Counsel has issued a legal opinion on the authority for private sector activities financed with development assistance. The opinion discusses the specific authorities for private sector activities, including those found in Sections 102, 122, and 601 of the Foreign Assistance Act, the relationship of such authorities to the development assistance accounts, the authority contained in Section 106(d) and its relationship to other provisions in the Act, and the lengthy legislative history of the "New Directions" legislation.

The General Counsel has not issued an opinion specifically on the subject of tourism and mining projects. Each AID project receives legal clearance before authorization. No project funding for tourism and mining has been approved.

Question. In your response to Senator Glenn's question about confusion between geographic bureaus and the PRE bureau, you did *not* mention that AID was considering private sector advisory committees for each of its regional bureaus. What, specifically, has been your role in planning and designing these advisory committees?

Have you heretofore consulted with Congress on their establishment? If so, specify.

How will membership be determined on these committees? Can you assure this Committee that their membership will be bipartisan?

What specific functions would such advisory committees perform?

How will these committees coordinate activities funded by PRE with those of the regional bureaus, or by other central offices?

Answer. The function of the committees is to advise the agency on development strategy. They will not be involved in the internal management issues affecting the PRE bureau and the regional bureaus. My role in planning and designing these committees has been to suggest that there is a continuing need to obtain the public's views on the direction of foreign assistance, and that advisory committees can serve an important function in the achievement of this goal.

Required notice of the formation of advisory committees on Africa, Asia, Latin America and the Caribbean, the Near East and Foreign Disaster Assistance was published in the Federal Register on Monday, November 30, 1981. Correspondence and charters were filed with the Honorable Charles Percy and the Honorable Clement J. Zablocki on January 27, 1982.

The Federal Advisory Committee Act "requires the membership of the committee to be fairly balanced in terms of points of view represented and functions to be performed by the advisory committee." In addition, I intend to emphasize AID regulation 22 CFR part 214.23, which states that "appropriate attention" be addressed to "factors of sex, race, creed, national origin, and religion." Other than adhering to the preceding principles, no decisions have been made regarding the specific membership of the advisory committees.

According to their respective charters, each committee will be composed of not more than twenty members. The committees will advise the Administrator on methods to improve the effectiveness of the foreign assistance program.

The committees will have no authority to coordinate agency activities. They are advisory in nature and have no program function, contract review function, and no spending authority.

Question. You have denied that this Administration has used food as a political weapon.

Do you favor its use as a political weapon under some circumstances? If so, please explain under what circumstances.

Could you explain why the Administration decided not to provide Mozambique with humanitarian food aid?

Answer. I do not believe that food aid should be used as a "political weapon." If recipient governments were to perceive that such assistance was being used by the U.S. as a "weapon," our ability to deal effectively with them on a wide-range of political and economic issues would be circumscribed.

At the same time, our assistance is provided within the context of overall U.S. foreign policy interests. This implies, of course, that political relationships are a factor in the decisions on allocation of U.S. assistance. For example, we do not provide assistance to countries, such as Cuba, which pursue policies inimical to U.S. interests. On the other hand, we do provide assistance to countries such as

Egypt, whose development and economic stability is in the interests of the U.S.

Insofar as Mozambique is concerned, there has been no refusal to provide humanitarian food aid to that country. In fact, AID has determined that severe drought conditions in Mozambique have resulted in widespread food scarcities. As a result, we are in the process of providing 20,000 metric tons of cereal grains and 250 metric tons of corn-soya-milk under Title II. AID has arranged to provide this food from the fiscal year 1983 emergency reserve, since it was not possible to meet the shipping deadline under fiscal year 1982 funding.

Question. You did not provide a complete answer to Senator Glenn's question on human rights. Under what circumstances would you favor an aid cut-off on human rights grounds?

Answer. Cut-offs or suspension of development assistance programs which benefit those in great need should be considered only in the most extreme and flagrant cases where continued close U.S. identification with the recipient government would undermine overall human rights objectives. I would favor a cut-off on human rights grounds in situations similar to that which occurred in Bolivia in 1980. The government of interim President Lydia Gueiler had been making significant progress in restoring constitutional democracy and creating a favorable human rights climate in the transition from military rule to civilian government that began in 1977 by President Hugo Banzer. The coup led by General Garcia Meza in July 1980 returned the country again to military rule and was followed by a systematic campaign of oppression designed to consolidate control of the country and eliminate all opposition. As a result of the abuses of human rights that took place following the coup, AID de-obligated $47 million of assistance previously provided to Bolivia and sharply reduced its staff. In addition, some $36 million in loans and grants were suspended pending satisfactory completion by the Bolivian Government of various administrative actions.

Question. In response to a Committee question on country allocations for fiscal years 1983 and 1984, you refer to favorable U.S. response to those countries "which give evidence of a favorable policy environment for self-sustaining development." Please explain the elements of such "favorable environments" and provide specific examples of some countries you had in mind.

Answer. There are, of course, a number of ingredients of a favorable policy environment. In a general sense, such an environment is the result of policies that favor the development of open and competitive markets for resources and for products—both domestically and with regard to external trade. This translates into public policies to supplement rather than supplant private economic activity, to abstain from intervening in reasonably well-functioning markets, and—when public intervention is justified by the existence of imperfectly-functioning markets—to adopt measures that remedy those imperfections rather than worsen them or add new ones. In the area of public production and investment, we fully accept the importance of public provision of infrastructure and associated services, while looking for ways to encourage the efficient operation of such services. Among other things, this leads to the desirability of a pricing structure that permits the efficient rationing of the scarce services. Similarly, while public provision of social and human services has a compelling rationale, an effective system of fees and user charges aids the needy by permitting expansion of services and efficiency in the system thereby avoiding problems arising from lack of budgetary revenues. Less compelling is the rationale in favor of direct public production in manufacturing or agriculture. In fact, except in highly ususual circumstances, we consider that sound economic development policy calls for government to restrict its intervention to that strictly needed to assure the functioning of open and competitive markets. The same applies to policies affecting the external trade sector and the exchange rate, as well as interest rates and other crucial price signals, i.e., the avoidance of restrictions and controls and the provision of the maximum possible leeway for the workings of private supply and demand and the exercise of human initiative and ingenuity. No country is a perfect model of development. However, keeping in mind that every country's public policy is capable of improvement and refinement, we generally consider that developing countries that have been relatively more successful in taking advantage of favorable external opportunities or in adjusting to unfavorable external developments have been those that have relied on the market mechanism to a relatively greater extent. These would include, as examples, Korea, Taiwan, Singapore, Cameroon, Malawi, and, in recent years, Jamaica and Sri Lanka.

Question. You indicated, in responding to Senator Glenn's question about LDC planned economies, that AID will "reduce assistance to countries which follow economic policies that lead to stagnation . . . If we were not to do so, we could legitimately be accused of waste of scarce public resources." Since prominent AID recipients such as El Salvador, Pakistan, Israel, Turkey and Jamaica, for example, have all experienced economic stagnation, would you favor an aid cut-off to these nations? What specific elements, or policies that lead to them, of stagnation ought to generate such a cut-off?

Answer. My answer to the previous question outlined the kinds of policies more likely than not to lead to inadequate economic performance. They are, of course, too many to list, but in AID's experience the most dramatic illustrations of such policies are found in the suppressive price incentives in LDC agriculture, and in the area of commercial protection and trade restrictions.

The adequacy or inadequacy of a country's economic performance depends on its economic possibilities and circumstances. Among the determinants of performance, the country's own policies may be the most important in the long term, but they are not the only influence. Stagnation may therefore be caused by a number of events, only some of which are under the country's own control. To assess the adequacy or inadequacy of a country's policies in any individual case requires a complex and delicate examination of the myriad elements relevant to that particular case—external as well as internal, political as well as economic. In many instances, the trend of economic policy and the direction of change may be a better indicator of the probable effectiveness of our aid than the past or existing state of affairs. Thus it is not possible to define in advance a statistical benchmark that could be applied worldwide to justify an aid cut-off. As explained above, it is not even possible to do so with respect to an individual country in the absence of an examination of the circumstances of that specific case. In many of the instances mentioned, e.g., Turkey, Jamaica, Pakistan, the governments have been making significant progress in their economic policies. Even in the special case of El Salvador, economic policy considerations and reforms are part of our interaction with the host government concerning U.S. aid and its most effective utilization.

Question. You have denied that AID's policy emphasized higher education at the expense of basic primary education. Please provide this Committee with a table indicating aggregate amounts of education funds and the dollar and percentage amounts expended for primary education for the past five fiscal years.

Answer. Attached is a table that shows aggregate amounts of education funds (Section 105 of the FAA) for the past five fiscal years (including a March estimate for FY 1982), as well as dollar and percentage amounts expended for major categories, including elementary education as a sub-category of "basic education." It will be noted that elementary and basic education have accounted for a significant share of the aggregate from FY 1978 through FY 1981. The decline in FY 1982 is in part the result of guidance to the field missions at the end of 1979 suggesting that education was not an IDCA/AID priority.

As noted in our report of February 1982 to the House Foreign Affairs committee on "A.I.D. Policy and Priorities for Education Programs" (P. 21), the recent guidance provided by this Administration to field missions places greater emphasis on basic education activities, including primary education. We are hopeful that such an increased emphasis will be reflected in future program submissions.

EDUCATION AND HUMAN RESOURCES PROGRAM EMPHASES SECTION 105 FUNCTIONAL DEVELOPMENT ASSISTANCE

[Dollars in millions]

	1978 actual [1]	1979 actual [1]	1980 actual [1]	1981 actual [1]	1982 OYB
Basic education:					
(Elementary, secondary, adult, community, nonformal, rural satellites)	$24.8	$34.7	$30.1	$30.3	$16.0
Percent	27.0	36.0	31.0	30.0	15.0
(Of which elementary [2])	($16.8)	($22.6)	($16.2)	($20.0)	($8.1)
Percent	18.0	23.0	17.0	19.0	8.0
Manpower development:					
(Professional/scientific, administrative/managerial, development administration)	$33.1	$26.8	$34.4	$32.7	$47.7
Percent	36.0	38.0	35.0	32.0	46.0
Vocational technical	$15.4	$12.3	$6.8	$10.6	$11.9
Percent	17.0	13.0	7.0	10.0	11.0
Labor development	$13.7	$14.9	$16.3	$16.7	$14.2
Percent	15.0	15.0	18.0	16.0	14.0
Other	$4.0	$8.9	$10.3	$12.6	$14.0
Percent	4.0	9.0	10.0	12.0	14.0
Total	$91.0	$97.6	$97.9	$102.9	$103.8

[1] Fiscal year 1982 data as of March 1982.
[2] Includes Sahel Development Fund.

Question. You have cited the continuing levels of violence as a hinderance to land reform implementation in El Salvador. To what extent has that violence hampered AID's work in that country? Can AID adequately account for its field projects, Public Law 480 programs and PVO efforts in El Salvador?

Answer. The level of conflict and security for civilian personnel are certainly factors in freedom of movement and selection of areas for field projects. However, much of AID's program is carried out in areas of the country where security is not a problem. In other areas, AID personnel make field trips to monitor implementation when security permits. In negotiating each AID grant or loan, uses of funds and accountability requirements are clearly specified. The AID Mission in El Salvador monitors disbursements closely, and contracts with local accounting firms to perform audits and spot checks on selected activities, particularly in those zones which are affected by the conflict and thus restricted for travel by U.S. officials. The Mission has thus far reviewed two of the major Public Law 480 Title II programs this year, and was able to make periodic visits to PVO projects in the field.

Almost all procurement of goods and services financed by AID comes from U.S. or Salvadoran sources. Procurement may be done by AID at the request of the Salvadoran Government, or directly by the Government of El Salvador under procedures stipulated by AID. Much of the latter is supervised by the Salvadoran Procurador General, which is similar to the U.S. General Services Agency. Salvadoran transactions are subject to review by the Corte de Cuentas, which has responsibilities similar to those of the U.S. General Accounting Office.

All of our assistance is subject to audit by the AID Inspector General, and the General Accounting Office. Copies of these audits are submitted to the Congress.

Question. I am unclear about your responeses to Senator Glenn concerning Front Lines.

Why have Congressional offices been dropped from the mailing list to receive Front Lines?

Would you refuse a specific Congressional request to receive Front Lines?

Have you personally been involved in the decision to deny Congressional distribution of Front Lines? Did you or your colleagues consult with Congress before making this decision?

Answer. All external former recipients have been dropped. However, all materials relevant to the Congress (and other Aid-interested individuals) are reproduced in Horizons which is not limited to an internal audience.

Any request for Front Lines to be mailed to a Member or congressional staff person, will, of course, be honored.

As I indicated in my above answer, we do not deny Congress copies of Front Lines. Any Member or staff office wanting Front Lines can simply request it and it will be provided.

Question. You have cited the fact that as the Acting IDCA Director, Mr. McPherson can appeal a budget or country allocation decision directly to the President. What specific instances has Mr. McPherson actually exercised this right?

Answer. As Acting IDCA Director, Mr. McPherson has raised issues within the Administration relating to the development assistance budget where his position had differed from other affected agencies. These issues have ultimately been resolved by the President in the context of his annual budget. It would be inappropriate for me to indicate the varying positions taken by the Acting IDCA Director on budget matters before they were resolved by the President. The preliminary give and take within an Administration on budget matters has traditionally been an area reserved to the Executive. Once budget issues are resolved, it is incumbent upon all Presidential appointees to support the President's positions.

Question. You have indicated that AID's legal counsel "have advised that the AID Administrator may serve as Director of IDCA in an acting capacity while decisions regarding IDCA's future are being resolved."

Is it your view that such concurrent service (i.e., AID Administrator and Acting IDCA Director) may continue indefinitely without formal Senate confirmation?

At what point, in your own view, does such a situation constitute circumvention of the Senate's formal role of advice and consent?

Answer. I do not believe that the position of IDCA Director should be filled indefinitely on an acting basis. It is the opinion of AID's General Counsel that the AID Administrator can serve as the Acting IDCA Director for a reasonable period pending resolution within the Executive Branch of the future of IDCA.

I do not believe there is any intent to circumvent the Senate's formal role of advice and consent so long as IDCA functions continue to be carried out and the Administrator is actively considering how best to implement IDCA functions in the future.

Question. What are *your* views concerning IDCA's future?

Answer. I personally believe IDCA's coordination functions relating to overall development assistance policy and budget are extremely important. I will support whatever decision is ultimately approved by the President regarding IDCA's structural future. Naturally, we will consult with Congress on any proposed changes in IDCA's status.

Question. In response to Senator Pell's question on the FY 1984 budget, you referred to "steps to eliminate projects which are not proceeding according to plans."

Please identify those steps, and list those projects which have been eliminated.

Answer. Beginning in the second quarter of FY 1982, A.I.D. again undertook a thorough review of new projects and of ongoing projects with additional FY 1982 funding in excess of $1 million. These projects were reviewed against several standards, including: whether they were meeting project objectives; their justification on the basis of economic returns; and, their relationship to the Administrator's four emphases of policy reform, private sector initiative, technology transfer and institutional development.

In addition to this rigorous review, individual regional and central bureaus within A.I.D. are encouraged to review the status and performance of their projects with a view toward changing or deleting project components which are not meeting objectives, or deleting entire projects which canot be suitably modified to meet objectives.

No final list is available of projects eliminated by the review. Final clearances for FY 1982 are being made in the field and in Washington in the next few days. But the final list for fiscal 1982 will be available by the end of October. There is an ongoing effort to redesign or modify those projects which the reviews have identified as having problems, or which have the potential of developing problems. In those cases where this effort proves unsuccessful, a decision to terminate or eliminate a particular project would then follow.

A.I.D. believes that this review process is an effective management tool. We, therefore, plan to continue these reviews during the coming fiscal year.

Question. In response to Senator Pell's question on private sector emphasis and New Directions legislation you stated that "recent data indicate that, where economic growth is rapid, the incidence of poverty falls."

How do you square that statement with World Bank reports indicating that living standards of the LDC's bottom 40 percent population actually declined in the 1970's—a period of rapid growth?

Answer. The lowest forty percent of income recipients in the developing countries are mainly in low-income countries, those with per capita incomes below about $400. Economic growth over the past two decades in this group of countries has averaged about 1 percent per year on a per capita basis. At such low levels of income, this implies increases of only several dollars per year. In contrast, the middle-income countries have grown at average annual per capita rates of nearly 4 percent per year, and account for most of the economic growth in developing countries as a group. Obviously there are parts of many middle income countries that remain terribly poor, e.g., Northeast Brazil.

Question. How do you ensure that AID's rejuvenated focus on private enterprise avoids the pitfalls of the so-called "trickle-down" economic development theories of the early 1960's? How do you yourself distinguish between these two?

Answer. Our focus on the private sector reflects renewed confidence in the beneficial effects of economic growth on poverty. At the same time we have learned several lessons about how to promote growth that is both more rapid and more broadly-based. These lessons include an enhanced appreciation of the role of agriculture in achieving rapid broadly-based economic growth; an increased awareness of the role of policies that promote efficient import subsititution and production for export, as opposed to policies that insulate a country from the stimulus of foreign competition; a deeper understanding of the deleterious effects on both efficiency and equity of policies that encourage excessive capital-intensity in the pattern of production; and a greater comprehension of the pitfalls of policies that place too little reliance on market forces and competition, and too much reliance on public intervention in the economy. In brief, our private enterprise efforts are designed to bring broadly based-growth but the old "trickle down" projects merely assumed that if their was growth it would result in growth for all.

Question. Please define the term "self-sustaining economic growth". Which developing countries, in your view, meet this definition in their economic policies?

Answer. The concept of self-sustaining growth refers to the ability of a country to maintain an acceptable rate of economic growth on a sustained basis without significant reliance on concessional assistance. To achieve this sort of growth on a self-sustaining basis, most countries would have to have reached a relatively advanced level of development (in terms of human resources, institutions, infrastructure, etc.) and would have to be implementing reasonably sound economic policies. The first condition implies that for the most part only upper-income developing countries can be considered to have achieved self-sustaining growth. Within this group, the soundness of economic policies is quite variable, both across countries and over time. Over the past decade, countries such as Korea, Malaysia, Brazil, Taiwan, Yugoslavia, Hong Kong, and Singapore have achieved a fairly advanced level of development and rapid rates of economic growth that are not dependent on large volumes of concessional foreign assistance.

Question. In response to a question of Senator Pell's, you indicated that as Mr. McPherson's deputy of AID you would "naturally" assist him in carrying out his "many IDCA functions." Since the Senate has not been asked to confirm an IDCA Director, do you mean to suggest that in confirming you to the post to which you have been nominated we would be providing de facto confirmation for a role as IDCA deputy director?

Answer. I have been nominated to fill the post of Deputy Administrator of AID. The President has not asked the Committee to provide a de facto confirmation for the role of IDCA Deputy Director.

Question. You indicated that IDCA has been involved in policy budget and all MDB replenishment review meetings. To what extent have you been involved in such meetings? Did you review and/or clear the "U.S. participation in the MDB's in the 1980's" policy paper? Did you participate in policy meetings concerning the recently completed Bank/IMF Annual meeting in Toronto?

Answer. To answer your specific questions first, IDCA/AID provided comments and suggested language changes on three different drafts of the assessment of "U.S. Participation in the MDB's in the 1980's" and actively participated in the five inter-agency meetings held on it, including the final meeting of the Cabinet Council on Economic Affairs (CCEA) which ultimately endorsed it. Concerning the recent series of MDB meetings in Toronto, IDCA/AID staff participated in the inter-agency meeting in which most of the position papers for the meetings were reviewed. Other papers we cleared directly. I personally attended the CCEA meeting which made budget decisions necessary for U.S. participation in the Inter-American Development Bank and African Development Bank meetings held in Toronto as a follow-on to the IBRD/IMF meetings, and Administrator McPherson attended the meeting of the Senior Inter-Agency Group on International Economic Policy which reviewed the CCEA's decision. The Administrator himself attended the Toronto meetings along with several other senior AID officials.

As these examples illustrate, IDCA/AID is heavily and substantively involved in almost all MDB policy, budget and replenishment issues. We have cleared position papers, drafted and cleared reporting cables, and an IDCA/AID representative was part of the delegation for all nine international negotiating sessions which have been held on MDB replenishment since this Administration has been in a position to negotiate new MDB replenishments. An IDCA/AID representative has taken an active part in almost all meetings concerning MDB budgets including last December's meeting of the Budget Review Board which set budget levels for most upcoming MDB replenishments.

Question. You indicated that identifiable private enterprise projects will increase from $130 million to $160 million in the next year. Has there been an actual increase in requests from field missions justifying such an increase in private enterprise projects? If so, please be specific in identifying such increased requests.

Answer. Requests from the field for private enterprise projects have increased substantially. The attached table provides detail on specific projects for which obligations are planned in FY 1982, as well as those in the planning stage for funding in FY 1983 based on preliminary estimates of available funds for the next fiscal year.

While totals may change slightly since we are continuing to refine the listing of projects included under our private sector initiative (thus the difference between the $160 million figure cited and the $155.3 million total on the current list) this table represents our current assessment of projects we would include within the private sector initiative.

PRIVATE ENTERPRISE PROJECTS

[Dollars in thousands]

			1982 estimate	1983 estimate
Bureau for Africa:				
631 Cameroon:				
North Cameroon Seed Multiplication II	6310023	FN	2,200	4,230
Credit Union Development (PVO)	6310044	FN	500	798
Country total			2,700	5,028
641 Ghana: Opport Indust Center, Intl/Ghana (PVO)	6410108	EH	1,372	....
Country total			1,372	....
615 Kenya:				
Increase employment income prod—OPG	6150184	SD	200	....
Small business development (OPG)	6150208	SD	1,000	....
Agriculture enterprise development	6150220	FN	....	10,000
Country total			1,200	10,000
632 Lesotho: Opportunities Indust Center (PVO)	6320217	EH	320	....
Country Total			320	....
669 Liberia:				
Nimba Co rural technology (PVO)	6690163	FN	870	....
Oppor Indust Cnt Intl—Liberia (PVO)	6690168	EH	2,216	....
Country total			3,086	....

PRIVATE ENTERPRISE PROJECTS—Continued

[Dollars in thousands]

				1982 estimate	1983 estimate
612	Malawi: Indigenous private sector	6120214	SD		
	Country total				
688	Mali: Small and medium AG enterprises	6880230	SH		
	Country total				
683	Niger:				
	Farm implements mfg (CDARMA)	6830243	SH		1,000
	Financial management	6830247	SH		
	Country total				1,000
696	Rwanda:				
	Cooperative training center (PVO)	6960119	FN	400	247
	Rwandan private enterprise development	9690121	SD		
	Country total			400	247
636	Sierra Leone:				
	Cooperative credit society-cuna (PVO)	6360112	FN	202	
	OICI vocational training I (PVO)	6360168	EH	124	
	OICI vocational training II (PVO)	6360169	EH	679	
	Country total			1,005	
693	Togo Credit union development (PVO)	6930224	FN		300
	Country total				300
617	Uganda: Production of agriculture inputs	6170104	FN		4,500
	Country total				4,500
686	Upper Volta: Small economic activity dev II (PVO)	6860249	SH	650	
	Country Total			650	
625	Sahel reg program: OMVS integrated development	6250621	SH		7,600
	Country total				7,600
698	Africa regional:				
	African development bank II	6980434	SD		3,000
	Private entrepeneurship promotion	6980438	SD		1,600
	African enterprise loan	6980439	SD		
	Country total				4,600
	Bureau total			10,733	33,275
Bureau for Asia:					
388	Bangladesh:				
	Fertilizer distribution improvement	3880024	FN	36,000	16,300
	Rural finance	3880037	FN	2,770	
	Rural industries	3880042	FN	800	
	Fertilizer distribution improvement II	3880060	FN		
	Country total			39,570	16,300
497	Indonesia:				
	Private sector development	4970329	FN	2,000	
	Private sector development	4970329	SD	2,500	
	Central Java private enterprise	4970331	FN		
	Local credit institutions	4970341	FN		

PRIVATE ENTERPRISE PROJECTS—Continued

[Dollars in thousands]

				1982 estimate	1983 estimate
	Private sector management training	4970345	EH		
	Country total			4,500	
492	Philippines: Rural enterprise	4920359	FN		15,500
	Country total				15,500
383	Sri Lanka:				
	Private enterprise promotion	3830082	FN	1,500	500
	Private enterprise promotion	3830082	SD	1,500	500
	Private enterprise support	3830087	SD		
	Country total			3,000	1,000
493	Thailand:				
	Private investment in development	4930329	FN	1,700	1,600
	Private investment in development	4930329	SD	2,800	
	Country total			4,500	1,600
498	Asia regional:				
	Extension of small scale AG equipment	4980265	FN	1,000	1,250
	Rural Enterprise Development	4980275	FN		300
	Country total			1,000	1,550
	Bureau total			52,570	35,950
Bureau for Latin America and Caribbean:					
511	Bolivia:				
	Private sector health care systems	5110568	HE		
	Agro industry development	5110572	SD		
	Country total				
515	Costa Rica:				
	Co-op banking services and credit	5150178	FN		
	Private sector revitalization	5150187	FN	2,000	
	Private sector revitalization	5150187	SD	8,000	
	Private sector productivity II	5150193	SD		
	Country total			10,000	
517	Dominican Republic:				
	Small industry	5170150	FN	5,000	150
	Small industry	5170150	SD	1,500	100
	Small business promotion—OPG	5170154	SD	250	148
	Private enterprise sector development	5170171	FN		
	Private enterprise sector development	5170171	SD		
	Country total			6,750	398
518	Ecuador:				
	Entrepreneurship for small ent dev	5180019	FN		
	Trade and productivity development	5180027	FN		
	Private enterprise development	5180034	SD		1,000
	Graduate management training	5180035	SD		
	Country total				1,000
519	El Salvador:				
	Small producer development	5190229	FN	1,125	800
	Agricultural co-op dev—OPG	5190284	FN		200
	Rural small enterprise development	5190286	FN	500	400
	Country total			1,625	1,400

PRIVATE ENTERPRISE PROJECTS—Continued

[Dollars in thousands]

			1982 estimate	1983 estimate
520 Guatemala:				
Rural enterprises development	5200245	FN	145	300
Private sector dev iniatives fund	5200294	SD		200
Country total			145	500
504 Guyana: Private sector promotion	5040094	SD		801
Country total				801
521 Haiti:				
Small farmer marketing	5210083	FN		450
Strengthening rural credit services II	5210154	FN		
Haitian Development Foundation III—OPG	5210161	SD		1,000
Development Finance Corporation	5210162	SD		
Country total				1,450
522 Honduras:				
Rural technologies	5220157	FN	250	950
Private sector development fund—OPG	5220198	SD		500
Small Business financeria	5220205	SD		5,000
Private sector employment related training	5220219	EH		
Country total			250	6,450
532 Jamaica:				
Technical consultations and training	5320079	SD	1,000	
Agribusiness development	5320081	FN	4,200	4,300
Small scale manufacturing assistance	5320088	SD		9,600
Private sector investment fund	5320091	SD		3,000
Country total			5,200	16,900
525 Panama:				
Rural cooperative marketing	5250222	FN	2,000	5,400
Entrepreneurial development—OPG	5250225	EH	160	
Private enterprise training	5250233	EH		500
CBI—National Investment Council	5250239	FN		425
CBI—National Investment Council	5250239	SD		
Small business credit	5250240	SD		
Country total			2,160	6,325
527 Peru:				
Urban small business	5270241	SD	5,000	5,000
Development of AG Service Cooperatives	5270255	FN		
Private sector training initiative—OPG	5270262	SD		1,000
Nontraditional export promotion	5270263	SD		
Country total			5,000	6,000
538 Caribbean Regional:				
Credit union development—OPG	5380035	SD	328	398
Interisland shipping and marketing	5380071	SD		10,161
Caribbean Agricultural Trading Co	5380000	FN		
Agricultural Enterprise Development	5380085	FN		
Agribusiness Expansion II	5380086	FN		
Private Sector Indust Infrastructure	5380088	SD		
Country total			4,553	10,579

PRIVATE ENTERPRISE PROJECTS—Continued

[Dollars in thousands]

				1982 estimate	1983 estimate
596	ROCAP				
	Incae management development	5960101	EH	500	....
	Export promotion and investment	5960102	SD	....	1,000
	Export promotion fund	5960109	FN	5,000	....
	Export promotion fund	5960109	SD	....	10,000
	Country total			5,500	11,000
598	LAC regional: Private sector initiatives	5980619	SD	700	200
	Country total			700	200
	Bureau total			41,883	63,003
Bureau for Near East:					
608	Morocco: Industry and Comm job training for women	6080147	EH	236	....
	Country total			236	....
298	Near East regional—DA: Regional private enterprise activities	2980050	SD	....	200
	Country total			....	200
	Bureau total			236	200
Bureau for Science and Technology:					
021	Agriculture:				
	Seed Program and Industry Development	9310203	FN	366	390
	Food grain storage and marketing	9310786	FN	720	650
	Storage and Procssg of Fruits and Vegs	9311323	FN	350	360
	Country total			1,436	1,400
063	Multisector development:				
	A. T. International	9311071	FN	6,000	6,000
	Small enterprise approaches to employment	9311090	SD	450	100
	Commercial Seed Industry	9311121	FN	120	....
	Alternative Rural Development Strategies	9311190	FN	450	....
	Enterprise Mkt and Tech Access	9364053	FN	....	500
	Rural Savings and Credit	9365315	FN	350	400
	Country total			7,370	7,000
	Bureau total			8,806	8,400
Bureau for Food for Peace and Volunteer Assistance:					
903	Private/Vol Co-op:				
	Credit Union Natl Association (CUNA)	9320002	FN	988	....
	Co-op League of USA (CLUSA)	9320004	FN	850	....
	Oppor Industrial Centers Intl (OICI)	938XXX6	EH	....	440
	Institute for Intl Dev. Inc (IIDI)	9380131	FN	175	....
	Technoserve Inc (TNS)	9380145	FN	626	....
	Volunteers in Tech Assistance (VITA)	9380157	SD	70	....
	Agriculture Cooperative Dev Intl (ACDI)	9380161	FN	616	....
	Oppcr Industrial Centers Intl (OICI)	9380184	EH	388	....
	Country total			3,713	440
	Bureau total			3,713	440
Bureau for Private Enterprise:					
940	Policy and Investment:				
	Investment Packaging	9400002	FN	8,000	7,000
	Investment Packaging	9400002	HE	....	....

PRIVATE ENTERPRISE PROJECTS—Continued

[Dollars in thousands]

			1982 estimate	1983 estimate
Investment Packaging	9400002	SD	8,000	7,000
Country total			16,000	14,000
Bureau total			16,000	14,000

Question. You indicated in a response to Senator Pell's question on the CBI that "we will continue to encourage increased flows of multilateral development assistance for the Caribbean Basin countries."

Do you mean that the Administration will reverse its decision to decrease U.S. contributions to the IDB's soft loan window?

To which specific increases were you referring?

Answer. In replying to Senator Pell's question on the CBI, I said we would "continue to encourage increased flows of multilateral development assistance for the Caribbean Basin countries." I had in mind all potential donor sources, including not only the IDB but also the World Bank, International Monetary Fund, European Economic Community and other bilateral donors. Our hope is that all donors would consider giving the Caribbean Basin a heightened priority, just as the United States has done, in response to the Basin's severe economic difficulties. I did not mean to imply any change in the Administration's position on U.S. contributions to the IDB's soft loan window.

With respect to the IDB, our position in the IDB negotiations is perfectly consistent with our CBI proposals:

FSO funds will continue to be available for the poorest countries, e.g., Haiti, Honduras, Eastern Caribbean Islands.

Overall IDB lending to the CBI region would grow by at least 13½ percent per year.

While the CBI recipients are experiencing serious short-term balance of payments and economic problems now, we believe that many of their economies are sufficiently well developed that when the current crisis is over they can service substantial capital window MDB debt. Capital window loans under the new IDB replenishment are not likely to require any debt service until the last years of the 1980's.

Question. You stated, in response to a question of Senator Pell's that constituency support for aid programs is narrowly based, "although the potential for significant expansion exists." Please explain. Have you specific plans to tap such potential? If so, please elaborate.

Answer. My response that "Constituency support for aid programs is narrowly based," is grounded on the results of independent surveys which show a decided lack of interest or negative interest in the U.S. Foreign Assistance program. I think you will agree that there are many reasons for U.S. assistance to the developing world, among these are: Humanitarian concerns, national security concerns, and U.S. economic self-interest. Many private and voluntary organizations have been active in trying to educate the U.S. public on all of these issues. Efforts like the Biden-Pell program will complement and further encourage these.

AID can further the goals of Biden-Pell by expanding interest in the agricultural, scientific and health communities, and elements of the business sector and organized labor. Under my direction AID has designed programs to bring Agency spokespersons before these groups, and to bring their leadership before the Agency in order to exchange information and ideas on development issues. AID's Speaker's Bureau and a newly formed Administrator's Development Seminars series are but a few specific examples of these programs.

○